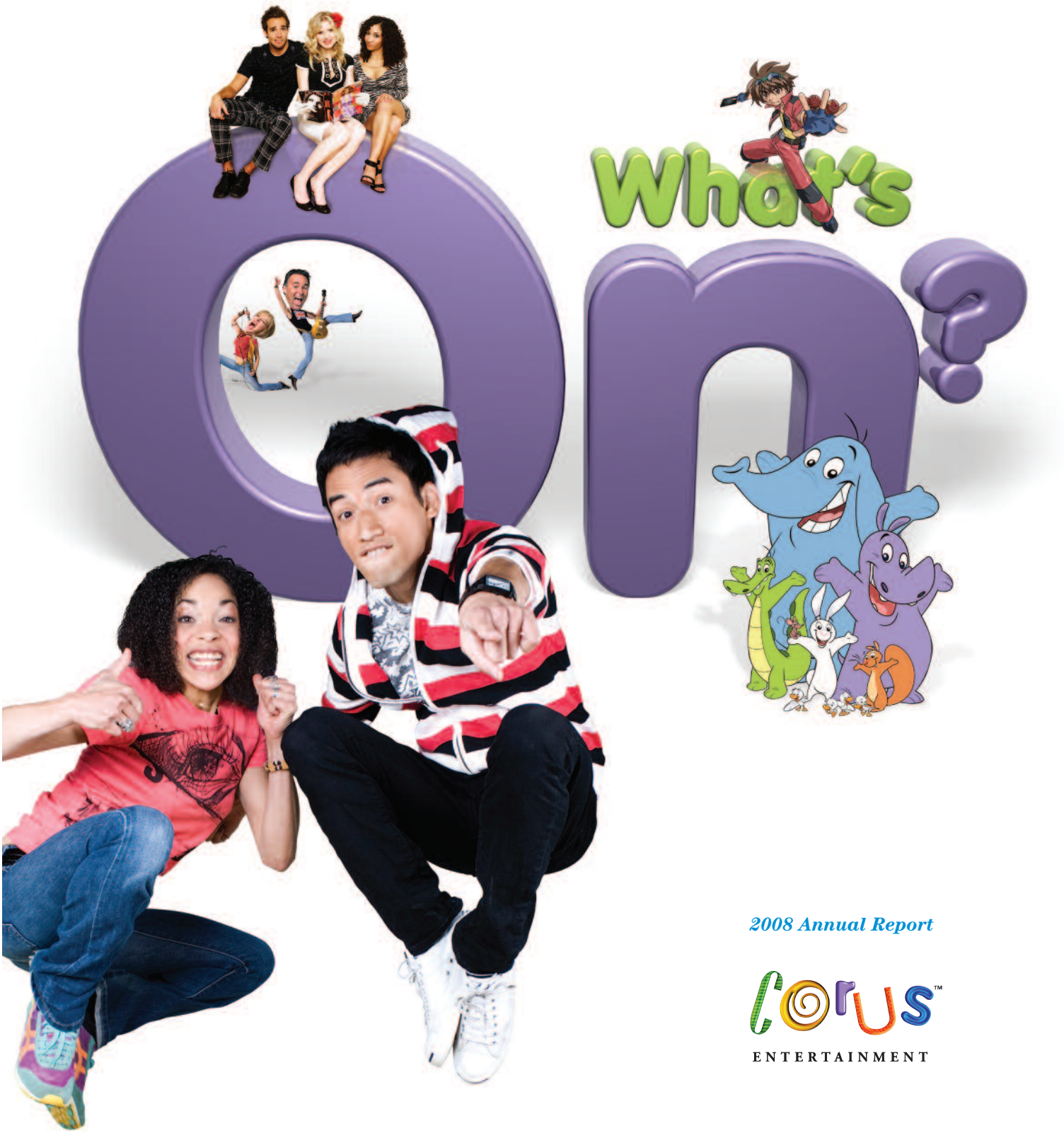
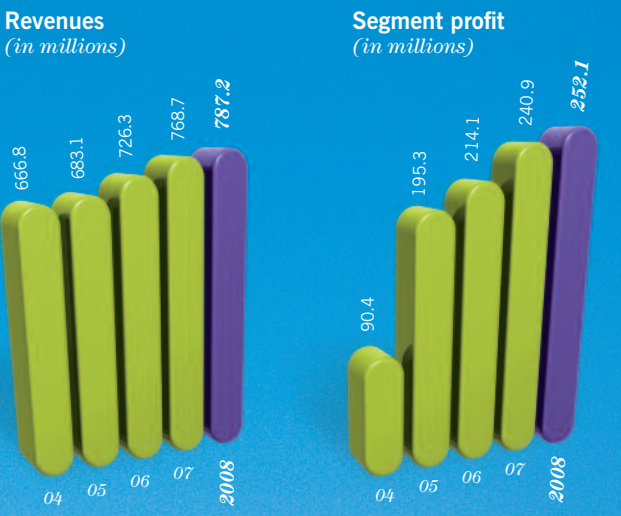


2008 Annual Report

corus™

ENTERTAINMENT



Financial highlights

(in millions of Canadian dollars, except per share amounts)	***2008***	2007	2006	2005	2004
Revenues	**787.2**	768.7	726.3	683.1	666.8
Segment profit[1]	**252.1**	240.9	214.1	195.3	90.4
Net income (loss)	**129.8**	107.0	35.5	71.1	(23.1)
Earnings (loss) per share					
Basic	**$1.57**	$1.27	$0.42	$0.83	$(0.27)
Diluted	**$1.54**	$1.23	$0.41	$0.83	$(0.27)
Total assets	**2,033.7**	1,937.0	1,842.2	1,928.4	1,871.9
Total long-term debt	**692.8**	610.7	596.4	445.2	529.1
Cash dividends declared per share					
Class A Voting	**$0.570015**	$0.501250	$0.22625	$0.0325	$0.020
Class B Non-Voting	**$0.574995**	$0.506655	$0.23250	$0.0375	$0.025

[1]As defined in "Key performance indicators – Segment profit and segment profit margin" in management's discussion and analysis.

Front cover images (clockwise from bottom of page):
Carlos and Joyce host *The Zone*, YTV's popular after-school block, featuring top-ranked kids shows. Highly interactive both on air and online, Carlos and Joyce entertain kids across the country with celebrity interviews, sketch comedy, cool contests and all things pop culture.

For irreverence, wit and humour mixed with morning coffee, Q107 listeners tune in to *Derringer in the Morning with Maureen Holloway* – Toronto's favourite way to wake up.

Host Josie Dye and correspondents Wilder Weir and Jacqui Skeete are the faces of *Oh So Cosmo*, CosmoTV's magazine-style TV show that offers fun, fearless stories and segments celebrating the lifestyle of hip, urban women.

Since its introduction to North America in January 2008, the Bakugan toy line – launched with the animated television series of the same name – has created a frenzy with kids and parents, selling out at retailers across Canada and the U.S.

Based on Eric Rohmann's award-winning book, produced by Nelvana Studio and broadcast in Canada on Treehouse, two furry heroes, Mouse and Rabbit, teach preschoolers about caring, friendship and how to problem-solve in the 2-D animated series, *My Friend Rabbit.*

Page 1
Scaredy Squirrel has left his tree and taken the world by storm, with nearly 300,000 copies of this Kids Can Press book series sold in North America alone, plus plans for more books, animated content from Nelvana Studio and branded merchandise.

Driven by innovative, customer-focused approaches to programming and partnerships, Corus Entertainment's brands, shows and personalities are on TV, on radio and online. We're on CDs and DVDs, and in books and games. We're on at home, at work and on the road, across Canada and around the world. In fact, when you really think about it, in today's 24-7 multiplatform media environment, sometime, somehow, we're on everywhere.

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1. Television

2.

3.

TELETOON RETRO

4.

VIVA

5.

In 2008, audiences turned to Corus to see what's on television. With channels that focus on women and kids, Corus is the viewing choice for millions of Canadians.

1. Gok Wan from W Network's *How to Look Good Naked*, the fashion and consumer series that shows women how to look great with their clothes on and off.
2. CMT hosts Elissa Lansdell, Casey Clarke, Ashley Kranz and Paul McGuire entertain Canadian audiences as they go shoulder-to-shoulder with country music's hottest names, keeping viewers up-to-date with entertainment news, music videos and celebrity interviews.
3. YTV's *The Next Star* became a fan favourite and a ratings success as kids across the country competed to become Canada's next singing star.
4. TELETOON Retro presents classic cartoons all day, every day. Since launching in September 2007 in over two million homes, the channel quickly grew to become the largest digital specialty channel in the country. With the addition of TELETOON Retro French in October 2008, the channel is now available in nearly six million households.
5. The recently acquired Canadian Learning Television (CLT) relaunched as VIVA, a network targeting Boomer women, representing a new growth opportunity for Corus.
6. Jacqui Skeete, Josie Dye and Wilder Weir from CosmoTV's flagship original series *Oh So Cosmo*, a magazine-style TV show that offers fun, fearless stories and segments celebrating the lifestyle of hip, urban women.
7. Michael C. Hall stars as Dexter Morgan, who moonlights as a serial killer, ridding the world of those who have slipped through the cracks of justice in *Dexter*, Showtime's critically acclaimed series, seen on Movie Central.

In 2008, Corus remained a force in women's television. Building on the success of W Network, Canada's #1 specialty channel for women, Corus introduced Cosmopolitan TV to over five million households. Created in partnership with Hearst Corporation, CosmoTV targets women aged 18 to 34. In November 2008, Corus relaunched Canadian Learning Television (CLT) as VIVA, Canada's first channel dedicated to Boomer-aged women.

Treehouse, Discovery Kids, YTV and TELETOON deliver the highest combined audience of Canadian kids between the ages of 2 and 11. Parent-trusted preschool programming from Treehouse continues to delight kids with hits such as *The Backyardigans* and *My Friend Rabbit* from Nelvana and Canadian favourites *Are We There Yet?: World Adventure* and *Roll Play*. Seen in over 10 million homes, YTV adds to our #1 status among kids with winners such as *The Next Star* and *iCarly*. TELETOON Retro, now in nearly six million households, brought new life to classics like *The Tom and Jerry Show* and *Scooby-Doo*.

Movie Central, home to the best of HBO and Showtime, continues to grow. Boasting critically acclaimed dramas like *Californication*, *Entourage* and *Dexter*, Movie Central delivers premium content in standard, high-definition and on-demand formats to almost 900,000 households in Western Canada. Movie Central's partnership with HBO was extended with the debut of the new service HBO Canada in October 2008.

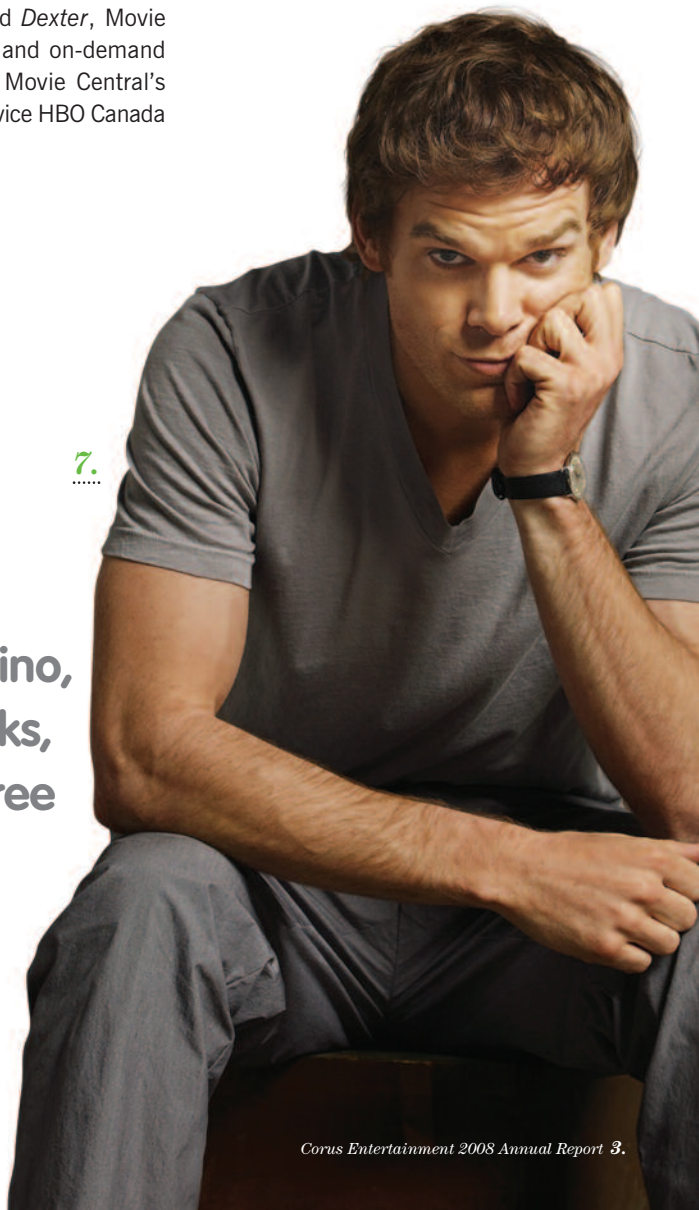
Movie Central delivered premium content to almost

900,000

households in Western Canada

6.

7.



With these specialty and pay services as well as CMT, Telelatino, SCREAM, Corus Custom Networks, Max Trax digital music, and three over-the-air local TV stations, what's on television has never looked so good.

Radio

1.

2.

3.

Whether news-talk, new rock, country or classic rock, when listeners want to know what's on air they tune in to Corus Entertainment.

1. Morning drive host Paul Arcand from Montreal's #1 French news-talk leader 98,5 FM (CHMP) was joined by new hosts: Isabelle Maréchal in mid-morning, midday host Benoît Dutrizac and afternoon drive host Paul Houde as the station revamped its on-air lineup with well-known journalists for increased news and issue reporting.

2. With the acquisition of contemporary hit music station 91.5 The Beat (CKBT) in Kitchener, Ontario, we strengthened our market position, adding another FM station to serve a growing Ontario region.

3. Q107 in Toronto remained #1 with males 25 to 54, and Kim Mitchell's show also maintained its #1 ranking with this key demographic in its afternoon drive timeslot.

In 2008, our 53 radio stations continued to connect with listeners by showing them that *our* radio stations are *their* radio stations. We broke new ground with Edmonton's iNews880, Canada's first Internet-based, 24-hour, all-news station, setting the bar for truly interactive news-talk radio. Through blogs, regional news coverage and i-reports, iNews880 helped listeners to become citizen journalists and to build an online community by allowing them to share their perspectives on local, provincial, national and global news with other listeners – around the city and around the globe.

With intelligent and provocative hosts such as Charles Adler, Christy Clark, Bill Good, John Oakley and Dave Rutherford, Corus Radio's network of news-talk stations was the destination for the best in information and analysis. Adding to an already impressive list of on-air personalities, we expanded our talent roster at Montreal's #1 French news-talk station, 98,5 FM (CHMP). News-talk heavyweights Isabelle Maréchal, Benoît Dutrizac and Paul Houde joined morning host Paul Arcand to bring even more news and issue-focused coverage to our audiences.

2008 also marked the return of a popular Gemini Award-winning Canadian media personality to his radio roots. Airing live on Corus' new rock music stations across the country each week, *The Strombo Show* with George Stroumboulopoulos highlights George's unique ability to combine his knowledge of pop culture with public affairs and to connect it to the world of entertainment, music and current events in a weekly live-to-air radio show.

Corus Radio connected with listeners each week through

53

stations across the country

4.

With Corus' commitment to serve our audiences, our advertising clients and our communities, what's on air at Corus Radio doesn't just sound good, it sounds great.

ENSEMBLE, JOUONS DANS LE TRAFIC
LES CERVEAUX DE L'INFO
SÉBASTIEN TRUDEL, MARC-ANTOINE AUDETTE, RICHARD 2, SIMON, FRANÇOIS MARANDA ET JULIE BRULAMER
LUN. AU VEN. 15 H À 18 H
CKOI .com 96,9 FM

5.

4. *The Inside Story*, from Edmonton's 630 CHED, has received industry recognition and numerous regional and national broadcasting awards for producing gripping documentaries about tough issues, like crime and drug abuse. The series is hosted by Michelle Boden.

5. Relaunched to target the Male 25 to 44 demographic, CKOI 96,9 repositioned its afternoon drive show from *Les Justiciers masqués* to *Les Cerveaux de l'info*, still delivering current hits and its signature phone pranks to Montreal listeners.

Content

1.

2.

Our Nelvana brands, content and books are on TV, DVD and the Internet as well as on the shelves in retail stores in Canada and around the world.

3.

1. Winner of the 2008 Emmy® Award for Outstanding Special Class Animated Program, *The Backyardigans* is a musical-adventure series for preschool children produced by Nick Jr. and Nelvana Studio.
2. Based on Eric Rohmann's Caldecott Medal-winning book about the adventures of Mouse and Rabbit, *My Friend Rabbit* airs on qubo in the U.S. and Treehouse in Canada.
3. KidsCo's mandate is to provide a "safe and responsible environment for kids." Nelvana programming, including its classic, *Babar*, represented more than 40% of the KidsCo schedule in 2008 in some territories.
4. The crime-solving brother and sister team Ty and Abby Archer report to the secret government Department of Grossology in this Nelvana series based on the books by Sylvia Branzei. Planet Toys has signed on as the North American toy partner for *Grossology*.
5. The qubo channel is a partnership between Corus Entertainment, NBC Universal, ION Media Networks, Scholastic, and Entertainment Rights, and occupies a unique position in the U.S. kids TV landscape with a winning blend of educational and entertainment programming.
6. *Bakugan* debuted on Cartoon Network and other broadcasters in the U.K., France and Africa in fall 2008, coinciding with the launch of Bakugan toys in those markets. A second season, entitled *Bakugan: New Vestroia*, is in production.

In 2008, Nelvana continued to be one of the world's largest distributors of children's animated television content. With more than 200 broadcast deals in over 150 countries, more children were able to enjoy great programs such as *Ruby Gloom*, *Bakugan* and *The Backyardigans*.

Driven by fresh content like Nelvana's *My Friend Rabbit*, qubo, our U.S.-based children's channel, is now in eight million homes. KidsCo, an international channel partnership between Corus, NBC Universal and the Cookie Jar Group, expanded to new markets including Spain, Germany, Singapore and Hong Kong, and is now carried in more than 50 countries across Asia, Europe and Africa on more than 30 cable and satellite platforms.

We also saw positive results from our merchandising partnerships this year. A Japanese anime property co-produced by Nelvana, *Bakugan* has become a fan favourite and can be seen on TELETOON in Canada and Cartoon Network in the U.S. and internationally. In 2008, Bakugan was one of the bestselling toy lines in Canada and the U.S., and is enjoying success in the U.K. and France since launching there in fall 2008.

In 2008, Nelvana had more than

200

broadcast deals in over 150 countries

4.

5.

qubo

6.

Breakthrough programming and kid-friendly, parent-approved brands have helped Corus reach across borders and cultures. What's on kids' radar? Great content from Corus.

Dear shareholders:

Each year, we look forward to the opportunity to share our year-end results and our outlook for the coming year.

In fiscal 2008, we delivered consolidated revenues of $787.2 million, up 2% from last year, and consolidated segment profit that was up 5% to $252.1 million. Our free cash flow, before business combinations, rose to $104 million from $97 million last year, and net income was $129.8 million with basic earnings per share up 24% to $1.57. We also purchased approximately 5% of our Class B shares for cancellation and we increased our declared annual cash dividend by 20% to $0.60 per share.

We achieved our free cash flow target for the year, and while we missed our segment profit target by approximately 1%, we are proud of the solid year we delivered. Our Company's results saw contributions from all divisions:

We increased our declared annual cash dividend by 20% to

$0.60

per share

Television

Our Television division revenues for the year were $450.2 million, up 3%, and segment profit was up 5% to $191.8 million. Division-wide advertising revenues were up 3% for the year, and subscriber revenues were up 2%. In terms of audience ratings, Corus Television remained the #1 specialty television choice for women and kids in key target demographics. We also successfully launched a new channel, CosmoTV, which targets women 18 to 34. In partnership with Hearst Corporation, this new channel mirrors the world-renowned *Cosmopolitan* magazine and, since launching, the service is already in five million homes and is ranked as one of the top-four highest-rated digital specialty channels for this key women's demographic.

Corus Television remained the

#1 choice for women and kids

in specialty television

Radio

Revenues for the year were $286.4 million, up 4%, while segment profit was down 3% to $75.5 million. Cost control continues to be a major focus for our Radio division. In the fourth quarter, we eliminated a number of positions within our Radio management team which will reduce costs by over $2 million on an annual basis. The Quebec market continues to be challenged, but we are confident that we can drive more positive results than we have in the past.

Content

Revenues were $52.0 million, down 15% from last year, and segment profit for the year was $7.2 million, up 32% from 2007. Our KidsCo distribution grew to over 50 countries and over five million homes in 2008. Airing on TELETOON in Canada and Cartoon Network in the U.S. and internationally, the Japanese anime brand Bakugan also started to show promising results. Our partnership in the brand also includes the Bakugan toy franchise, which delivered strong results and has become one of the top-selling toys in select markets around the world.

Heather A. Shaw
Executive Chair

John M. Cassaday
President and Chief Executive Officer

2009 outlook

On September 25, 2008, we provided our financial guidance for fiscal 2009:

- Consolidated segment profit of between $270 million and $280 million
- Free cash flow of between $70 million and $90 million

Since we provided this guidance, we have seen a historic downturn in the global financial markets. The global economy has been battered by business closures, writedowns and job losses, and consumer confidence continues to erode. Much has been written and the script seems to change daily and even hourly. As the global markets struggle to stabilize, companies are working to assess the impact these events will have on their business. The length and severity of this downturn remains to be seen. However, we take comfort in the fact that governments around the world are working to stabilize the situation and encourage a recapitalization of the credit markets. While uncertainty remains, our strategy is to focus on what we do know:

We have the financial strength to weather the storm and capitalize on opportunities

With respect to how this global downturn affects Corus, there is a historical link between advertising growth and the growth of the economy overall. Clearly, the Canadian economy is slowing. However, we believe our Company is well positioned for a number of reasons:

- Approximately 45% to 50% of our Television revenues are contracted cable and satellite subscription revenues, which provide us with a measure of downside protection.
- We have strength in key pockets of the advertising market (women, kids) which we believe provides us with a unique selling proposition.
- We continue to generate significant free cash flow.
- We have a strong balance sheet and our current leverage is below three times segment profit. We believe this strength will not only help us weather an economic downturn, but also enable us to capitalize on acquisition opportunities that may arise.

We have a strong balance sheet and our current leverage is below

3x

segment profit

We have strong business plans in place for each division

- We believe our Television division will continue to see solid growth in the specialty and pay TV markets. As the overall women's advertising sector continues to grow, the recent launch of VIVA, our new channel targeting Boomer women, joins CosmoTV and W Network in providing a powerful portfolio of women's networks to reach this demographic. We also recently launched HBO Canada and believe this service will be a key driver of pay TV growth in fiscal 2009.
- Our Radio division will continue to focus on driving growth, particularly in Canada's top 10 markets. We will focus on both national and local ad sales and will move aggressively to better our results in Quebec and to control costs across the board.
- Our Content business has been fully integrated into our Television division to drive efficiencies and ensure an integrated approach to content development for all of our kids assets. Internationally, we will continue to focus on channel growth with qubo and KidsCo and are very encouraged that the early success of Bakugan will have a strong impact on our merchandising revenues for the coming year.

We will continue to operate with integrity and drive shareholder value

The events of the last few months have proven that success without integrity ultimately reveals itself as failure. We have a strong set of Core Values and believe that honouring them drives our success. We will continue to respect our clients and never assume that we have an entitlement to their business. We will offer superior brands that give our audiences the outstanding content they deserve. We will continue to prudently invest in employee training and in giving back to the communities we serve. We will move forward with the strategic investment in our new broadcast facility to ensure we have the infrastructure necessary for long-term growth. We will continue to operate transparently, including continuing to give yearly guidance to our shareholders.

We take pride in being the only company in our sector that provides yearly financial guidance. We believe our shareholders have a right to know what our goals are and that this transparency holds us accountable to those goals. With respect to our 2009 guidance, we have been criticized by some for not lowering our targets in the face of the recent economic climate. While we may need to adjust our targets as a result of this global downturn, we remain firm that, until we have more clarity on how this downturn will affect our business, we won't grab at an opportunity to arbitrarily lower the bar.

Along with operating with transparency and integrity, we will continue to return value to our shareholders through our normal course issuer bid (NCIB) and through our dividend policy, which has already seen per share annualized dividends rise from 2.5 cents to 60 cents in four years. In fiscal 2008, our dividend policy returned $46.3 million to our shareholders.

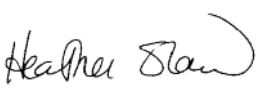
In closing, we would like to again thank our employees for their contributions to our 2008 results. We believe in the strength of our team, our brands and our business and we remain confident in our ability to drive revenue growth. We remain committed to controlling costs and we believe in the financial strength of our Company. We thank you, our fellow shareholders, for your continuing support and confidence in our Company.

In fiscal 2008, our dividend policy returned over

$46 million

to our shareholders

John M. Cassaday
President and
Chief Executive Officer



Heather A. Shaw
Executive Chair

1.

Creative thinking. Fresh ideas. Willing to take a chance. Our employees' commitment to innovation is one of the reasons that Corus has people around the world asking, "What's on?"

1. Our corporate Values of Initiative, Innovation, Teamwork, Accountability and Knowledge define us and guide us in the work we do. This year's Samurai Award winners are inspirational in their dedication to making our Values part of their daily lives. Heather Shaw and John Cassaday with the 2008 Samurai Award winners.

2. To recognize the importance of their contributions, each year we celebrate our Creative Spark winners for their creative spirit, technical innovation and teamwork approach. Heather Shaw and John Cassaday with the 2008 Creative Spark Award winners.

2.

Innovation is one of Corus' Core Values and giving people the training, development and support they need to think creatively and generate breakthrough ideas is vital to our Company's continued success. In 2008, our in-house university, Corus U, partnered with Harvard Business School Publishing to provide online training programs for all Corus employees. Corus U Online connects employees with quick tips, audio downloads, customized modules and stand-alone courses that encourage both individual growth and improved team and business performance.

At Corus, we also know that recognizing superior results and performance is another key to our success. At our 2008 Annual Employee Awards gala, we celebrated our employees' creativity with our Creative Spark Awards and their community service efforts with our Citizenship Award. Corus' Core Values are an important part of our organizational culture, and each year we honour employees who have put those Values into action with our Samurai Awards. We also honour teams with our President's Awards: this year we recognized *The Backyardigans* animation team, the employees who launched CosmoTV, and our Cornwall Radio team for their dedication to our Values and for achieving superior results.

Thinking creatively

and

generating breakthrough ideas

are vital to our Company's continued success

Canadiana

1.

2.

3.

We are committed to the ongoing success of Canadian film, television, radio and publishing, by partnering with emerging and established Canadian creative talent and sharing their stories with audiences everywhere.

edgefest 08

4.

1. Anna Wallner and Kristina Matisic, well-known hosts from the long-running, successful W Network series *The Shopping Bags*, have partnered on the production of the new series *Anna and Kristina's Grocery Bag*.
2. Young viewers took a trip to base camp as Canadian reality TV went kid-friendly with the launch of the YTV original production, *The Adrenaline Project*. With the recent season two launch, this popular edge-of-your-seat series continues to engage audiences and put teens to the test with rigorous physical and mental challenges.
3. Sold in over 115 countries worldwide, the award-winning Movie Central original series *ReGenesis* concluded its run in May 2008, after four seasons and 53 episodes.
4. Fifteen artists, including headliners Linkin Park and Stone Temple Pilots, marked the triumphant return of Edgefest, a day-long concert with major label artists as well as independent acts featured on Canada's pre-eminent new rock station, 102.1 the Edge.
5. Corus was proud to support many Canadian feature films this past fiscal year, including Paul Gross' *Passchendaele*.
6. INCURA was chosen as the 2008 winner of the 99.3 The FOX Vancouver Seeds Program Platinum Award.
7. In addition to the successful *Scaredy Squirrel* franchise, Kids Can Press published the innovative *One Hen*, which not only tells an inspiring story of change but also encourages young readers to learn about microfinance and support developing regions through its interactive website.

Corus remains dedicated to creating and supporting the kind of fresh, original drama series that Canadians are looking for. Success stories from Movie Central, our premium pay TV channel serving Western Canada, include award-winning, critically acclaimed series such as *Durham County* and *ReGenesis*, and the upcoming eight-part drama *Bloodletting & Miraculous Cures*, based on the Scotiabank Giller Prize-winning bestseller by Vincent Lam.

One of the largest private sector supporters of Canadian feature film production, Corus contributed to films from homegrown talents, such as Don McKellar's *Blindness*, Atom Egoyan's *Adoration*, Paul Gross' *Passchendaele* and Sarah Polley's Oscar®-nominated *Away From Her*.

Corus Radio is also a strong supporter of Canadian artists. In 2008, Corus helped develop Canadian musical talent through initiatives such as the CASBY (Canadian Artists Selected By You) Awards, the Canada Day Jam, and the 99.3 The FOX Vancouver Seeds music competition.

In 2008, Corus created

149

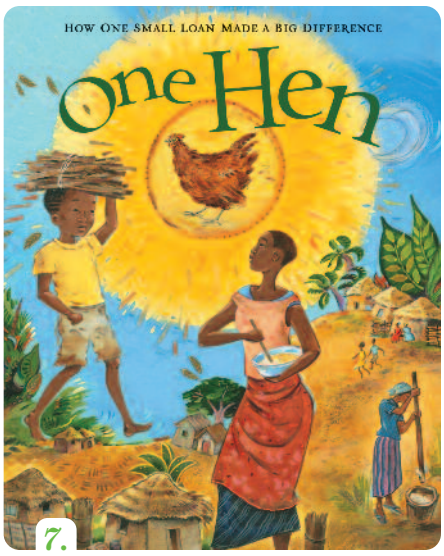
new half-hour episodes of animation from Nelvana Studio and

57

new children's books from Kids Can Press

5.

6.



7.

Corus has a proven track record for building Canadian franchise brands. Working closely with the Company's international partners, Corus intends to turn Kids Can Press' bestselling series *Scaredy Squirrel* into a global multiplatform success. This venture between Kids Can Press and Nelvana includes publishing more titles, producing a television series, developing animated shorts for multiple platforms and rolling out an international merchandise and licensing program.

New Platforms

1.

2.

3.

Corus' shows, content and partners find audiences on every platform – from the web to mobile phones to portable media players.

iNews 880 AM
ON RADIO.ON LINE.ON DEMAND.

4.

1. Deep Sky, Corus Radio's interactive marketing arm, led a highly successful campaign to launch Colgate-Palmolive's Irish Spring Body Wash that included a custom-built microsite, featuring a limerick contest and an online golf game that inspired the client to license it for its own corporate website.
2. The launch of SuperCrazyAlive.com, Five Alive's quirky new website, required more than just an online campaign to spark interest, so Deep Sky introduced a new and surprising touch-point called "blinks" – quick-bit, high-frequency, on-air mentions of the website address, woven directly into programming.
3. Miranda Cosgrove stars as Carly Shay on Nickelodeon's interactive comedy series *iCarly*, which allows YTV's tech-savvy audience to upload original content to her show's website for potential broadcast.
4. Corus Radio Edmonton introduced a first in Canadian radio – iNews880, an Internet-driven, all-news radio format providing comprehensive and live news coverage around the clock. User-generated content and citizen journalism ensure that the news coverage is focused and grounded in the Edmonton community.
5. The award-winning website teletoon.com sees over 1.5 million visits and over 2.5 million game plays per month. With games, contests, video clips and more information about kids' favourite cartoons, the site boasts an average time spent per visit of nearly 15 minutes.
6. New partnerships with iTunes now bring Treehouse and YTV programming to viewers on-demand with the click of a mouse.
7. MyCMT, CMT's new online community, builds on music fans' strongly shared interests, blurring the lines between all CMT media platforms.

Corus continues to extend its brands online. With almost two million unique visitors a month and more than 100 personality blogs, our Corus Radio websites are leaders in Canadian online radio. With over 50 content-rich websites that generate more monthly visits and more time spent with our online brands than any other radio group, Corus Radio offers audience engagement whether listeners are at home, at work or at play. In a Canadian radio first, Corus also partnered with StreamTheWorld to bring superior audio quality and online streaming technology to its websites.

Our kids television brands reach tech-savvy audiences with all-encompassing kid-friendly digital platforms. Ranked among the top five online kids entertainment properties in Canada, YTV.com, with its rich, frequently updated content, generates more than 2.2 million kid visits per month. This year, we also strengthened our partnership with Nickelodeon through a venture that brings Nick's digital content to Canadian kids.

New platforms are also helping our television programming to become more interactive. *iCarly*, from Nickelodeon, is the first scripted series to integrate kid-created content. Carly Shay (Miranda Cosgrove), hosts her own homegrown, online show and viewers are just a click away from fame as they submit videos, interact with the show's star and showcase their talent online.

With almost

2 million

unique visitors a month, Corus Radio websites are leaders in Canadian online radio

5.

6.

7.

Among our lifestyle specialty channels, CMT leads the way in interactive content with MyCMT, an online community built around the shared interests of music fans. In May, the second season of *Chevy Karaoke Star* encouraged viewers to upload videos and to choose their favourite cyber-karaoke star, generating over two-and-a-half million votes on MyCMT.

Country music star Paul Brandt and CMT gave viewers the online tools to create their own music videos for Brandt's new single. Online and text voting generated over half a million votes to pick the winner – another example of the reach and power of Corus' online presence.

Philanthropy

1. Kids up front

2. BULLYING STOPS HERE

3.

As a corporation and as individual employees, Corus is there – supporting initiatives that contribute to the quality of life in the communities we serve.

Kids Up Front provides access to sports, entertainment and cultural events to at-risk youngsters through the distribution of unused tickets. As founding sponsors, we were proud to see the donation of event tickets surpass the $10 million mark. Since 2000, Kids Up Front has distributed almost 400,000 tickets to children through community service agencies in Vancouver, Calgary, Edmonton and Toronto.

Long-standing programs, like the 630 CHED Santas Anonymous, CKNW Orphans' Fund and Derringer's 13 Days of Christmas, show that our radio stations are committed to serving their communities. Two new initiatives also made a positive impact in 2008.

Corus Radio Winnipeg and Winnipeg Harvest launched Hunger For Hope, a new, province-wide drive to raise funds to help feed Manitoba's at-risk children because "No Child Should Go to Bed Hungry."

Our news-talk networks worked to make the Internet a safer place for kids with an anti-cyber bullying campaign. During March and April, CKNW AM 980 (Vancouver), 630 CHED (Edmonton), AM 770 (Calgary), CJOB 68 (Winnipeg), AM980 (London), AM900 CHML (Hamilton), AM640 TORONTO RADIO, AM 1220 (Cornwall) and 940Montreal each aired a one-hour documentary and five 30-second public service announcements and hosted on-air town hall forums to address cyber bullying and the negative aspects of online and mobile social networking.

Corus donated over

$19 million

in cash, air time and in-kind services to over 550 charities in 2008

4.

5.

6.

hunger for hope

In addition to all of these initiatives and thanks to our employees' exceptional teamwork, Corus was able, once again, to increase the year-over-year total in donations to our annual United Way campaign.

1. Kids Up Front's Morning with the Stars event featured terrific entertainment from members of the Barenaked Ladies, Juno-winning entertainer Jack Grunsky and Loonette the Clown, and raised more than $50,000 for Kids Up Front and the SickKids Foundation.
2. CKNW AM 980 host Christy Clark featured a series of segments on her show that tackled the issue of cyber bullying. Called *Bullying Stops Here*, this initiative spearheaded a campaign in Corus' network of news-talk stations that addressed this growing social concern and its impact on youth, using a one-hour documentary, on-air town hall meetings and a series of five 30-second PSAs which aired in March and April.
3. With a profound interest in the welfare of children that has lead her to Africa and South America to serve in schools and orphanages, Citizenship Award winner Jamie Piekarz is a shining example of global vision and support.
4. Corus Cornwall raised just over $120,000 for the Cornwall Community Hospital Foundation, the most ambitious fundraising initiative in Cornwall and area to date. Monies raised will fund lifesaving medical equipment and supplies for the Cornwall community.
5. Lea Cater, The New Country 95.3 morning host, along with her fellow female on-air colleagues, hosted a six-hour BROADcast Radiothon in support of The Weekend to End Breast Cancer. The $20,000 fundraising goal was surpassed and Lea made good on her promise to shave her head in support of this great cause.
6. Corus Radio Winnipeg partnered with Manitoba Harvest to launch Hunger For Hope, a province-wide fundraising initiative aimed at ending child hunger in Manitoba.

Financial section

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2008, is prepared at October 31, 2008. This should be read in conjunction with the Company's August 31, 2008 Annual Report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Please refer to note 21 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ("U.S.") GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

Cautionary statement regarding forward-looking statements

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs; the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

Overview

Corus Entertainment Inc. ("Corus" or the "Company") commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Through fiscal 2008, Corus has managed its business in three operating segments: Radio, Television and Content. The Corporate segment results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating divisions. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

(a) Radio

The Radio segment comprises 52 radio stations situated primarily in nine of the ten largest Canadian markets by population and in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations. Corus is one of Canada's leading radio operators in terms of audience reach and tune-in.

(b) Television

The Television division comprises the following: specialty television networks YTV, W Network, Treehouse TV, Corus' 80% interest in Country Music Television Limited ("CMT"), a 50.5% interest in Telelatino, a 50% interest in TELETOON and a 20% interest in Food Network; Corus' premium television services Movie Central and Encore; interests in three digital television channels: SCREAM, Cosmopolitan TV and Discovery Kids Canada; Corus Custom Networks, a cable advertising service; three local television stations; Max Trax, a residential digital music service; and the Nelvana production studio. Revenues for premium television and digital music services are generated from affiliate subscriber fees. Revenues for the conventional television stations and cable advertising services are derived from advertising.

(c) Content

The Content division participates in the distribution of television programs and the sale and licensing of related products and rights. Revenues are generated from licensing of television programs, merchandise licensing and publishing. Commencing in fiscal 2009, the Content segment has been integrated into the Television segment.

Annual selected financial information

The following table presents summary financial information for Corus for each of the listed years ended August 31:

				% increase	
(in millions of Canadian dollars, except percentages and per share amounts)	***2008***	2007	2006	2008 over 2007	2007 over 2006
Revenues	**787.2**	768.7	726.3	2.4	5.8
Segment profit[1]	**252.1**	240.9	214.1	4.6	12.5
Net income	**129.8**	107.0	35.5		
Earnings per share					
Basic	**$1.57**	$1.27	$0.42		
Diluted	**$1.54**	$1.23	$0.41		
Total assets	**2,033.7**	1,937.0	1,842.2		
Long-term debt	**692.8**	610.7	596.4		
Cash dividends declared per share					
Class A Voting	**$0.570015**	$0.501250	$0.22625		
Class B Non-Voting	**$0.574995**	$0.506655	$0.23250		

[1]As defined in "Key performance indicators – Segment profit and segment profit margin."

Results of operations

The following tables present summary financial information for Corus' operating business segments and a reconciliation of net income to segment profit for each of the listed years ended August 31:

(in millions of Canadian dollars, except percentages)	**2008**	**%**[1]	2007	%[1]	2006	%[1]	% increase (decrease) 2008 over 2007	% increase (decrease) 2007 over 2006
Revenues								
Radio	**286.4**	**36.4**	275.7	35.9	268.4	37.0	3.9	2.7
Television	**450.2**	**57.2**	436.3	56.8	401.9	55.3	3.2	8.6
Content	**52.0**	**6.6**	61.3	8.0	63.6	8.8	(15.2)	(3.6)
Eliminations	**(1.4)**	**(0.2)**	(4.6)	(0.6)	(7.6)	(1.0)		
	787.2	**100.0**	768.7	100.0	726.3	100.0	2.4	5.8
Direct cost of sales, general and administrative expenses								
Radio	**210.9**	**73.6**	198.2	71.9	200.0	74.5	6.4	(0.9)
Television	**258.4**	**57.4**	253.8	58.2	236.6	58.9	1.8	7.3
Content	**44.8**	**86.2**	55.9	91.2	59.1	92.9	(19.9)	(5.4)
Corporate	**23.0**	**2.9**	24.8	3.2	24.0	3.3	(7.3)	3.3
Eliminations	**(2.0)**	**(0.3)**	(4.9)	(0.6)	(7.5)	(1.0)		
	535.1	**68.0**	527.8	68.7	512.2	70.5	1.4	3.0
Segment profit[2]								
Radio	**75.5**	**26.4**	77.5	28.1	68.4	25.5	(2.6)	13.3
Television	**191.8**	**42.6**	182.4	41.8	165.3	41.1	5.2	10.3
Content	**7.2**	**13.8**	5.4	8.8	4.5	7.1	33.3	20.0
Corporate	**(23.0)**	**(2.9)**	(24.8)	(3.2)	(24.0)	(3.3)	(7.3)	3.3
Eliminations	**0.6**	**0.1**	0.4	–	(0.1)	–		
	252.1	**32.0**	240.9	31.3	214.1	29.5	4.6	12.5
Depreciation	**22.1**	**2.8**	21.6	2.8	21.3	2.9	2.3	1.4
Amortization	**–**	**–**	1.6	0.2	2.9	0.4	(100.0)	(44.8)
Interest expense	**41.3**	**5.2**	35.8	4.7	43.1	5.9	15.4	(16.9)
Disputed regulatory fees	**10.9**		–		–			
Debt refinancing loss	**–**		–		132.0			
Other expense, net	**7.9**		9.8		11.6			
Income before income taxes and non-controlling interest	**169.9**		172.1		3.2			
Income tax expense (recovery)	**35.5**		59.8		(36.0)			
Non-controlling interest	**4.6**		5.3		3.7			
Net income for the year	**129.8**		107.0		35.5			

[1] Direct cost of sales, general and administrative expenses and segment profit for each business segment are expressed as a percentage of revenues for the segment. Other items are expressed as a percentage of total revenues.

[2] As defined in "Key performance indicators – Segment profit and segment profit margin."

Fiscal 2008 compared to fiscal 2007

Revenues

Revenues for the fourth quarter were $185.8 million, a decrease of 1% from $187.2 million last year. Radio and Television revenues increased by 3% and 1%, respectively, while Content decreased by 27% in the quarter. For the full year, revenues of $787.2 million represented a 2% increase over $768.7 million last year. Radio and Television revenues increased by 4% and 3%, respectively, while Content revenues decreased by 15%. Please refer to the discussion of segmented results for additional analysis of revenues.

Direct cost of sales, general and administrative expenses

Direct cost of sales, general and administrative expenses for the fourth quarter were $138.5 million, down 2% from $140.8 million in the prior year. For the full year, expenses were $535.0 million, an increase of 1% over the prior year. Expense increases in Television were the result of higher program rights and film amortization. Expenses increased at Radio partly as a result of having three additional stations compared to last year. Expenses at Content decreased as the result of lower revenues, and decreased at Corporate as a result of the impact of a lower share price on stock-based compensation. Please refer to the discussion of segmented results for additional analysis of expenses.

Depreciation

Depreciation expense for the year was $22.1 million, an increase of $0.5 million from last year. This increase reflects the timing of capital expenditures and a charge for redundant Corporate assets in the first quarter.

Amortization

The Company adopted the new accounting standards for financial instruments in the first quarter of fiscal 2008. Under these standards, financing fees are included in the carrying amount of the associated debt and amortized over its expected life using the effective interest rate method. The amortization calculated under this method is now included in interest expense.

Interest expense

Interest expense for the fourth quarter was $9.9 million, up from $8.8 million last year, and for the year interest expense of $41.3 million represented a $5.5 million increase over the prior year. Interest on long-term debt is down slightly from the prior year. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate on bank loans for 2008 was 5.3%. Other interest, which includes imputed non-cash interest on the discounting of financial instruments, increased by $5.1 million from the prior year. This is largely the result of implementing the new financial instruments guidance in fiscal 2008.

Disputed regulatory fees

The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision that ruled that Part II fees paid by broadcasters to the Canadian Radio-television and Telecommunications Commission were an unlawful tax. The broadcasting industry is pursuing avenues of appeal; however, until such time as an appeal is heard, the regulation is in force. The accrual in fiscal 2008 includes a balance of $4.9 million related to fiscal 2007 and $6.0 million related to fiscal 2008. The balance of $3.8 million recorded at May 31, 2007 was reversed in the fourth quarter of fiscal 2007.

Other expense, net

Other expense for the fourth quarter was $3.9 million, compared to $2.6 million in the prior year. For the full year, other expense of $7.9 million represents a decrease of $1.9 million from the prior year. The current year includes restructuring charges of $6.1 million, incurred in the Television and Radio segments, while the prior year includes $10.4 million in restructuring charges, incurred in the Television, Radio and Content segments.

Income taxes

The effective tax rate for fiscal 2008 was 20.9%, compared to the Company's 34.0% statutory rate.

On December 14, 2007, the reduction to future federal corporate income tax rates announced in Bill C-28 on October 31, 2007 became substantively enacted. As a result, the Company was required to remeasure its income tax assets and liabilities using the reduced rates. As a result of this change, as well as other items, the Company recorded income tax recoveries of $13.2 million in the second quarter and $10.0 in the third quarter of fiscal 2008.

Net income and earnings per share

Net income for the fourth quarter was $17.4 million, as compared to $21.2 million last year. Earnings per share for the fourth quarter were $0.21 basic and diluted, compared with $0.25 basic and diluted last year. Net income in fiscal 2008 was $129.8 million, or $1.57 basic and $1.54 diluted earnings per share, compared to net income of $107.0 million, or $1.27 basic and $1.23 diluted earnings per share, last year. The weighted average number of shares outstanding decreased in fiscal 2008 as a result of shares acquired and cancelled by Corus under its normal course issuer bid.

Other comprehensive loss, net of tax

Other comprehensive loss for the quarter was $1.6 million, compared to $0.2 million in the prior year. For the twelve-month period, the loss in the current year was $15.0 million compared to $0.6 million in the prior year. This loss is the result primarily of the change in the unrealized fair value of the Company's interest rate swap. As the Company adopted the new accounting standards for financial instruments in the first quarter of fiscal 2008, there is no comparative figure for this change in unrealized fair value.

Radio

	Three months ended August 31		Year ended August 31	
(in thousands of Canadian dollars)	***2008***	2007	***2008***	2007
Revenues	**68,482**	66,544	**286,449**	275,736
Direct cost of sales, general and administrative expenses	**53,423**	49,148	**210,945**	198,201
Segment profit	**15,059**	17,396	**75,504**	77,535

Revenues for the fourth quarter were $68.5 million, representing a 3% increase over the prior year. Local airtime revenues were flat to the prior year and national airtime revenues increased by 8% compared to the prior year. For the full year, revenues of $286.4 million represented a 4% increase over the prior year. Local airtime revenues increased by 1% and national airtime revenues increased by 8% compared to the prior year. Other ancillary revenues also increased from the prior year. Strong revenue growth for the year was achieved in the Western Canada, with low single-digit growth in Ontario and Quebec. Corus' expectation is that it will exceed market growth in the markets in which it broadcasts. This occurred in several important markets, as indicated by the Trans-Canada Radio Advertising by Market ("TRAM") report for the year ended August 31, 2008. Overall, Corus grew by 2%, compared to total market growth of 4%; however, this result is skewed somewhat by several new competitors in Calgary, where Corus grew by 7% compared to market growth of 12%, and a market decline in French-language Montreal.

Direct cost of sales, general and administrative expenses for the fourth quarter were $53.4 million, up 9% from the prior year. For the full year, expenses of $210.9 million represented a 6% increase over the prior year. Expenses increased for employee-related costs and production and programming costs, due in part to having three additional stations relative to last year.

Segment profit for the fourth quarter was $15.1 million, a decrease of 13% from $17.4 million last year. For the full year, segment profit was $75.5 million, a decrease of 3% from $77.5 million in the prior year. This segment profit decrease represents a slight margin decline for the Radio segment, as revenue growth did not meet the Company's expectations.

In fiscal 2008, Radio recorded an accrual of $6.1 million related to disputed regulatory fees. These costs are excluded from segment profit.

In the fourth quarter, the Company announced organizational changes in its Corporate and Montreal Radio operations. These changes resulted in severance expenses of approximately $3.5 million in the fourth quarter of fiscal 2008. These costs are excluded from segment profit. The Company continues to assess challenges presented by the Quebec market, and may undertake further initiatives to align the cost structure of this division with its strategic objectives.

Television

(in thousands of Canadian dollars)	Three months ended August 31		Year ended August 31	
	2008	2007	***2008***	2007
Revenues	**104,838**	104,219	**450,175**	436,270
Direct cost of sales, general and administrative expenses	**69,133**	70,166	**258,410**	253,822
Segment profit	**35,705**	34,053	**191,765**	182,448

Revenues for the fourth quarter were $104.8 million, up 1% from the corresponding period last year, while for the full year revenues grew by 3% to $450.2 million. Advertising revenue grew by 4% in the quarter and 3% for the year, while subscriber revenue grew by 2% in both the quarter and year. Other ancillary revenues, primarily derived through service work in the studio, were down in the quarter but up for the full year. Specialty advertising growth was 5% for the quarter and 4% for the year led by strong double-digit growth at W Network. Declines in advertising revenues were experienced in YTV and TELETOON. The decline in both the quarter and year came mainly from two categories, toys and entertainment. Movie Central finished the quarter with 891,000 subscribers, up slightly from the same period last year.

Direct cost of sales, general and administrative expenses were $69.1 million for the fourth quarter and $258.4 million for the year, representing a decrease of 1% for the quarter and an increase of 2% for the year. The decrease in the quarter is the result of the timing of service work in the studio, while the increase for the year was primarily due to higher programming costs, as amortization of program rights and film investments and other cost of sales increased by 5% over the prior year. These costs fluctuate in proportion to changes in subscriber levels as a result of program supply agreements, Canadian content requirements based on the prior year's revenues, conditions of license as well as with the volume of service work in the studio. These increased costs were offset by effective cost containment across all categories of general and administrative expenses, which were flat for the quarter and decreased by 3% for the full year relative to the same periods last year.

Segment profit for the fourth quarter was $35.7 million, up 5% from the prior year, while segment profit of $191.8 million for the full year also represented a 5% increase over the prior year.

In fiscal 2008, Television recorded an accrual of $4.8 million related to disputed regulatory fees. Television also incurred $2.4 million in restructuring expenses in the first quarter, related to the Toronto operations. These costs are excluded from segment profit.

Content

(in thousands of Canadian dollars)	Three months ended August 31		Year ended August 31	
	2008	2007	***2008***	2007
Revenues	**12,846**	17,653	**51,959**	61,325
Direct cost of sales, general and administrative expenses	**10,258**	15,399	**44,757**	55,883
Segment profit	**2,588**	2,254	**7,202**	5,442

Revenues for the year were $52.0 million, representing a 15% decrease compared to the prior year. Included in Content's revenues for the year are intercompany revenues of $1.2 million, compared to $4.3 million in the prior year. These revenues are eliminated upon consolidation.

Direct cost of sales, general and administrative expenses for the year were $44.8 million, down 20% from the prior year. This decrease is the result of lower revenues in the period.

Segment profit for the year was $7.2 million, compared to $5.4 million in the same period last year. In the third quarter of fiscal 2008, the division benefited from revenues on certain high-margin library titles and a significant music rights transaction. The quarterly fluctuation of revenues and segment profit is consistent with past experience in the Content business. The results of any one period are not necessarily indicative of results for future periods; however, the Content division continues to perform in line with the Company's current expectations of modest segment profit.

Corporate

(in thousands of Canadian dollars)	Three months ended August 31 2008	Three months ended August 31 2007	Year ended August 31 2008	Year ended August 31 2007
Stock-based compensation	**1,994**	3,225	**9,168**	10,192
Other general and administrative costs	**4,226**	4,147	**13,811**	14,652
General and administrative expenses	**6,220**	7,372	**22,979**	24,844

General and administrative expenses decreased to $23.0 million in fiscal 2008 from $24.8 million last year.

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is lower in the current year due to changes in the assumptions underlying the expense recognition of certain plans.

Other general and administrative costs are down from the prior year primarily as a result of foreign exchange gains and lower costs related to short-term incentive-based compensation.

Fiscal 2007 compared to fiscal 2006

Revenues

For fiscal 2007, revenues of $768.7 million represented a 6% increase over $726.3 million the prior year. Radio and Television experienced increases of 3% and 9%, respectively, while Content decreased by 4%.

Direct cost of sales, general and administrative expenses

For fiscal 2007, expenses were $527.8 million, up 3% from the prior year. Expense increases in Television were the result of higher program rights and film amortization, while expenses at Content decreased as the result of lower revenues. Included as a reduction of expenses in fiscal 2007 is a reversal of $4.9 million in regulatory fees accrued through the fiscal year that are now deemed not to be payable. Had this accrual not been reversed, expenses would have increased by 4% for the year.

Depreciation

For fiscal 2007, depreciation expense of $21.6 million represented a $0.3 million increase over the prior year. These fluctuations reflect the timing of capital expenditures and the fact that depreciation and capital expenditures have remained fairly constant over the past several fiscal years.

Amortization

For fiscal 2007, amortization expense of $1.6 million represented a $1.3 million decrease from the prior year. The decrease is a result of deferred start-up and reformatting costs becoming fully amortized. The remaining $4.1 million in deferred financing charges relating to the Company's bank facility is being amortized over the remaining life of the facility.

Interest on long-term debt

For fiscal 2007, interest expense of $35.8 million represented a decrease of $7.3 million from the prior year. The Company refinanced its debt at the end of January 2006, with the result that the Senior Subordinated Notes ("Notes"), which paid interest at an effective rate of 9.33%, were replaced with bank debt paying interest on a floating rate plus a margin. Interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate for fiscal 2007 was 5.4% on bank loans.

Debt refinancing loss

In fiscal 2006, the Company purchased and cancelled U.S.$373.6 million of its Notes. Concurrently, the cross-currency agreements that fixed the exchange rate on the principal and interest on the Notes were effectively terminated. In order to fund the purchase of the Notes, the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt restructuring loss of $132.0 million in fiscal 2006. The components of this loss include mark-to-market payments on the cross-currency agreement termination, consent and tender premiums, the non-cash write-off of deferred financing charges related to the Notes, and other fees.

Other expense, net

For fiscal 2007, other expense of $9.8 million represents a decrease of $1.9 million from other expense of $11.7 million in the prior year. The current year includes restructuring charges of $10.4 million, incurred primarily in the Television segment in the first quarter and Radio segment in the fourth quarter, while the prior year includes $11.4 million in restructuring charges, incurred primarily in the Radio and Content segments. Interest income declined from $2.6 million in the prior year to $0.8 million in the current year, resulting from lower cash and cash equivalents balances.

Income taxes

The effective tax rate for 2007 was 34.7%, consistent with the Company's 35.5% statutory rate. Income tax expense for the prior year was reduced by approximately $37.0 million in long-term future tax rate changes and other items.

Net income

Net income in fiscal 2007 is $107.0 million, or $2.53 basic and $2.47 diluted earnings per share, compared to $35.5 million, or $0.84 basic and $0.82 diluted loss per share, last year.

Radio

Year ended August 31 (in thousands of Canadian dollars)	2007	2006
Revenues	275,736	268,367
Direct cost of sales, general and administrative expenses	198,201	200,015
Segment profit	77,535	68,352

For fiscal 2007, revenues of $275.7 million represented a 3% increase from the prior year. Local airtime revenues increased by 1%, while national airtime sales were up 7% from the prior year. Revenue growth for the year was experienced in all regions, with Edmonton and Toronto contributing above-market average growth in the period, as indicated by the Trans-Canada Radio Advertising by Market ("TRAM") report for the year ended August 31, 2007.

For fiscal 2007, expenses of $198.2 million represented a 1% decrease from the prior year. In the fourth quarter, Radio reversed an accrual of $3.0 million for certain regulatory fees that are now deemed not to be payable. The expense related to these fees included in the results for fiscal 2006 is $2.9 million. If not for this adjustment, expenses for Radio would have been up 1% for the year. This increase over the prior year was due largely to a modest increase in employee-related costs. Radio incurred $3.6 million in restructuring expenses related to the Montreal cluster. These costs are reflected in other expense, net, and are excluded from segment profit.

Segment profit for fiscal 2007 was $77.5 million, an increase of 13% from the prior year. If not for the adjustment noted above, segment profit would have increased by 9% for the year. This segment profit increase represents a slight margin improvement for the Radio segment.

Television

Year ended August 31 (in thousands of Canadian dollars)	2007	2006
Revenues	436,270	401,856
Direct cost of sales, general and administrative expenses	253,822	236,563
Segment profit	182,448	165,293

Revenues of $436.3 million for fiscal 2007 represented a 9% increase from the prior year. Revenue growth was driven by advertising revenue growth of 10% for the year and subscriber revenue growth of 8% for the year. Other ancillary revenues, primarily derived through service work in the studio, were also up in the year. Subscriber revenues in the prior year included subscriber fee adjustments of $4.7 million. The strong advertising results for fiscal 2007 were driven by double-digit revenues growth in CMT and W Network. Specialty advertising growth was 12% for the year. Excluding the impact of the TELETOON acquisition, specialty advertising revenues grew by 8% for the year. Subscriber revenue growth was driven by increases across all networks. Movie Central finished the year with 883,000 subscribers, up 7% from the same time last year.

Direct cost of sales, general and administrative expenses were $253.8 million for fiscal 2007, up 7% from the prior year. In the fourth quarter, Television reversed an accrual of $1.9 million for certain regulatory fees that are now deemed not to be payable. The expense related to these fees included in the results for fiscal 2006 is $1.8 million. If not for this adjustment, expenses for Television would have been up 8% for the year. The increase was primarily due to higher programming costs, as amortization of program rights and film investments and other cost of sales increased by 13% over the prior year. These costs fluctuate in proportion to changes in subscriber levels as a result of program supply agreements, Canadian content requirements based on the prior year's revenues and conditions of license. These increased costs were offset by effective cost containment in other general and administrative overhead. These costs were up 2% for the year. This increase is due to the additional 10% of TELETOON. Excluding the impact of the TELETOON acquisition, other general and administrative expenses decreased by 1% in the year. Television incurred $6.1 million in restructuring expenses related to the consolidation of the Edmonton facility into the Toronto operations. These costs are reflected in other expense, net, and are excluded from segment profit.

Segment profit for fiscal 2007 was $182.4 million, a 10% increase over the prior year. If not for the regulatory fee adjustment noted above, segment profit would have increased 9% for the year. Of this growth for the year, 3% is due to the acquisition of an additional 10% share in TELETOON in the first quarter.

Content

Year ended August 31

(in thousands of Canadian dollars)	2007	2006
Revenues	61,325	63,618
Direct cost of sales, general and administrative expenses	55,883	59,118
Segment profit	5,442	4,500

Revenues for fiscal 2007 were $61.3 million, representing a 4% decrease from the prior year. This decrease is due to the fact that under the new studio structure, first Canadian windows on studio deliveries are not made available to Content for distribution. Included in Content's revenues for the year are intercompany revenues of $4.3 million. These revenues are eliminated upon consolidation.

For fiscal 2007, expenses decreased by 5%. Direct cost of sales were lower than the prior year due to lower revenues, while general and administrative expenses were down due to a restructuring undertaken in the fourth quarter of fiscal 2006. During fiscal 2007, Content incurred an additional $0.7 million in expenses related to a restructuring of the publishing business. These costs are reflected in other expense, net, and are excluded from segment profit.

Segment profit for the year was $5.4 million, compared to $4.5 million last year. The Content division continues to perform in line with the Company's current expectations of modest segment profit.

Corporate

Year ended August 31

(in thousands of Canadian dollars)	2007	2006
Stock-based compensation	10,192	11,596
Other general and administrative costs	14,652	12,402
General and administrative expenses	24,844	23,998

General and administrative expenses increased to $24.8 million from $24.0 million last year.

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The current year reflects the impact of Corus' higher average share price since the corresponding periods of fiscal 2006. This impact has been reduced by income generated by a derivative instrument entered into in fiscal 2007 in order to offset the Company's exposure to changes in the fair value of certain obligations under the Company's PSU plan.

Other general and administrative costs are up from the prior year primarily as a result of continued investment in information technology. In addition, the prior year includes the impact of a refund related to employee benefits.

Quarterly consolidated financial information (unaudited)

The following tables set forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2008. In management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

(in thousands of Canadian dollars, except per share amounts)	Revenues	Segment profit[1]	Net income	Earnings per share – basic	Earnings per share – diluted
2008					
4th quarter	**185,774**	**47,235**	**17,406**	**$0.21**	**$0.21**
3rd quarter	**207,819**	**71,772**	**37,674**	**0.45**	**0.45**
2nd quarter	**178,738**	**49,733**	**35,368**	**0.42**	**0.41**
1st quarter	**214,825**	**83,390**	**39,387**	**0.47**	**0.46**
2007					
4th quarter	187,204	46,381	21,219	$0.25	$0.25
3rd quarter	197,612	64,811	29,587	0.35	0.34
2nd quarter	174,729	48,349	19,543	0.23	0.22
1st quarter	209,198	81,380	36,669	0.44	0.43

[1]As defined in "Key performance indicators – Segment profit and segment profit margin."

Seasonal fluctuations

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. The broadcasting businesses (Radio and Television) and the Content business each have unique seasonal aspects.

For the broadcasting businesses, operating results are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and for the second quarter they tend to be the weakest, consistent with lower consumer spending in winter months.

For the Content business, operating results are dependent on the timing and number of television programs made available for delivery in the period as well as the timing of merchandising royalties received, none of which can be predicted with certainty. Consequently, Content's operating results may fluctuate significantly from quarter to quarter. Cash flows may also fluctuate and are not necessarily closely related to revenue recognition.

Significant items causing variations in quarterly results

- Net income for the third quarter of fiscal 2008 was negatively impacted by a $9.7 million disputed regulatory fee accrual.
- Net income for the third quarter of fiscal 2008 was positively impacted by approximately $10.0 million in income tax items.
- Net income for the second quarter of fiscal 2008 was positively impacted by approximately $13.2 million in income tax rate changes and other income tax items.

Key performance indicators

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with Canadian or U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP.

Revenue

Revenue is a measurement defined by Canadian and U.S. GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the "Overview" section on page 21.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2008, derived primarily from three areas: advertising (59%), subscriber fees (29%) and license fees (4%) (2007 – 57%, 29% and 6%, respectively).

Direct cost of sales, general and administrative expenses

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Cost of goods sold relating to publishing includes the material cost of the product, printing, freight, customs and duties, and royalties to authors and illustrators based upon sales and is included in direct cost of sales, general and administrative expenses. Approximately 34% and 32% of consolidated direct cost of sales, general and administrative expenses in fiscal 2008 (2007 – 35% and 32%, respectively) were composed of employee remuneration and programming and film costs, respectively.

Segment profit and segment profit margin

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company's consolidated statements of income and retained earnings. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) interest expense; (ii) non-cash expenses such as depreciation and amortization; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as debt refinancing loss, disputed regulatory fees and other expense, net. Segment profit is also one of the measures used by the investing community to value the Company and is included in note 14 to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

Free cash flow

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

(in thousands of Canadian dollars)	***2008***	2007	2006
Cash provided by (used in):			
Operating activities	**130,578**	103,073	111,018
Investing activities	**(101,520)**	(70,798)	(17,249)
Free cash flow	**29,058**	32,275	93,769

Net debt

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

(in thousands of Canadian dollars)	***2008***	2007
Long-term debt	**692,750**	610,697
Cash and cash equivalents	**(19,642)**	(33,347)
Net debt	**673,108**	577,350

Net debt to segment profit

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

(in thousands of Canadian dollars, except ratios)	***2008***	2007	2006
Net debt (numerator)	**673,108**	577,350	552,726
Segment profit (denominator)	**252,130**	240,921	214,119
Net debt to segment profit	**2.7**	2.4	2.6

Risks and uncertainties

Impact of regulation on Corus' results of operations

Radio and Television

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the *Broadcasting Act* and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations and regulates the rates Corus may charge for its specialty television services if such services are distributed as part of the basic service by a cable distributor. In fiscal 2006, the CRTC granted a pay television license to an entity allowing it to compete with our premium television services. Corus' radio stations must also meet technical operating requirements under the *Radiocommunications Act* and regulations promulgated under the *Broadcasting Act*. Changes in the regulation of Corus' business activities, including decisions by the CRTC affecting Corus' operations (such as the granting or renewal of licenses, decisions as to the subscriber fees Corus may charge its customers, or the granting of additional distribution, broadcasting or programming licenses to competitors in Corus' markets) or changes in interpretations of existing regulations by courts or the CRTC could materially adversely affect Corus' business and results of operations.

In addition, in order to maintain eligibility under the *Broadcasting Act* and the *Radiocommunications Act*, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television, pay television and digital audio undertakings rely upon licenses under the *Copyright Act* (Canada) in order to make use of the music component of the programming distributed by these undertakings. Under these licenses, Corus is required to pay royalties established by the Copyright Board pursuant to the requirements of the *Copyright Act* to collecting societies that represent the copyright owners in such music components. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

On October 19, 2006, the Federal Court of Appeal set aside the 2005 decision of the Copyright Board, dealing with the Society of Composers, Authors and Music Publishers of Canada's ("SOCAN") commercial radio tariff. The original Board decision modified the rates radio stations pay to SOCAN, introducing a two-tier payment system based on each station's annual revenues. The Court ordered that the matter be referred back to the Copyright Board for its reconsideration. It is uncertain what impact this decision will have on Corus' financial results and position.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006 the Company remitted approximately $5.0 million in Part II license fees to the CRTC. The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision. The broadcasting industry is pursuing avenues of appeal; however, until such time as an appeal is heard, the regulation is in force. The accrual recorded in fiscal 2008 includes a balance of $4.9 million related to fiscal 2007 and $6.0 million related to fiscal 2008.

Content

Corus licenses a significant portion of its programming to Canadian conventional television stations, specialty and premium television networks, which are required by the CRTC to devote a certain portion of their programming schedules to Canadian productions. In addition to these scheduling requirements, the CRTC generally requires Canadian specialty services to devote a certain amount of their revenues to certified Canadian programming. There can be no assurance that such policies will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to Corus as a supplier of such programs. Also, there can be no assurance that Corus programming will continue to qualify as certified Canadian programming. If Corus' programming fails to so qualify, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and, as a result, license fees paid to Corus by Canadian broadcasters would not reflect the current premium paid for certified Canadian programs, and Corus would not qualify for certain Canadian tax credits and industry incentives. Canadian Heritage, the Canadian ministry that oversees the tax credits, has conducted a review of the definition of Canadian content, as it applies to film and television production, but no formal changes to the definition have been announced.

Competition

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels, because revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally, and other intangible factors, all of which could rapidly change and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

Radio

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from electronic and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems (which can offer concurrent exposure on a number of cable networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, other print media, direct mail and on-line computer services for radio advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

Television

The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC, such as the Internet and video and DVD rentals. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution, which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

Corus' pay television services are exclusive providers of premium movies and series and offer classic movies to Western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings.

Content

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

Risks associated with production of film and television programs and websites

Each production is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other factors, all of which can rapidly change and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and typically can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, the majority of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of Content's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

The production of websites related to Corus' Television, Radio and Content brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as on-line games and third party posts of content and links. Corus takes rigorous steps to ensure that procedures are in place to clear rights and to vet third party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk but there remains a limited risk of liability to third party claims.

Intellectual property rights

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights in order to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

Technological developments

New or alternative media technologies and business models, such as digital radio services, satellite radio, direct-to-home satellite, wireless and wired cable television, Internet programming and video programming and on-line publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

Interest rate and foreign exchange risk

The Company manages its exposure to floating interest rates through the use of interest rate agreements or "swaps." All such agreements are used for risk management purposes only. In order to minimize the risk of counterparty default under its swap agreements, Corus assesses the creditworthiness of its swap counterparties. Currently 100% of the Company's total swap portfolio is held by financial institutions with Standard & Poor's ratings (or the equivalent) ranging from A to AA–.

Corus has the following financial exposures to risk in its day-to-day operations:

Interest rates

The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, as more fully described in note 8 to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. The Company has entered into Canadian interest rate swap agreements to fix the interest rate of a portion of the facility.

As at August 31, 2008, 57% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Foreign exchange

A significant portion of revenues and expenses for the Content business is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 6% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2008, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

Financial position

Total assets at August 31, 2008, were $2.03 billion, compared to $1.94 billion at August 31, 2007. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2007.

Current assets decreased by $4.5 million. Cash and cash equivalents decreased by $13.7 million. Please see the discussion of cash flows below. Accounts receivable increased by $6.1 million from year end, and decreased by $14.7 million from the end of the previous quarter. The accounts receivable balance typically grows in the first and third quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivables.

Non-current assets increased by $101.2 million. Tax credits receivable increased as a result of accruals related to film production, offset by tax credit receipts. Investments and other assets increased by $75.6 million, due to the $75.0 million acquisition cost of an analog specialty service. The cash was held in escrow until the closing date in September 2008. Program and film rights (current and non-current) increased by $18.7 million, as additions of acquired rights of $160.0 million were offset by amortization of $145.7 million as well as a transition adjustment related to the implementation of new financial instruments standards. In particular, investments in programming were made relating to the launch of the Cosmopolitan TV digital channel in the second quarter. Film investments increased by $14.2 million as net film spending of $56.3 million was offset by film amortization and accruals for tax credits. The Nelvana studio is in a relatively stable state of production, and film spending is consistent with the prior year; however, the broadcast business made significant investments in third party produced feature films in the fourth quarter.

Current liabilities increased by $28.5 million. Accounts payable and accrued liabilities increased by $29.9 million and income taxes payable decreased by $1.5 million. Accounts payable and accrued liabilities balance increased as a result of an accrual of $10.9 million for disputed regulatory fees as well as an increase in accrued program rights payable. Income taxes payable decreased due to the timing of income tax installments.

Non-current liabilities increased by $62.1 million. Long-term debt increased by $82.1 million, as the Company used its credit facility to finance its normal course issuer bid and advance the acquisition cost for the purchase of an analog specialty service. Other long-term liabilities decreased by $4.8 million primarily as a result of recognizing previously deferred revenue as revenue in the third quarter of fiscal 2008. The fair value of $9.4 million of the interest rate swap was recognized as an increase to other long-term liabilities, while a decrease to the long-term portion of certain stock-based compensation obligations reduced the liability balance. The long-term portion of program rights payable was affected by a transition adjustment related to the implementation of the new financial instruments standards. Net future tax liability (including current future tax asset) decreased by $11.2 million primarily due to a change in the long-term future tax rates and other items in the second and third quarters.

Share capital decreased by $34.0 million as a result of the repurchase and cancellation of shares with a book value of $46.6 million under the Company's normal course issuer bid, offset by the exercise of employee stock options. Contributed surplus increased by $7.1 million as a result of expensing stock-based compensation for the period.

Liquidity and capital resources

Cash flows

Overall, the Company's cash and cash equivalents position decreased by $13.7 million in fiscal 2008, compared to a decrease of $10.3 million in the prior year. Free cash flow for fiscal 2008 was $104.0 million, after adding back cash advanced into escrow for business combinations, compared to $97.0 million in the prior year. This increase is derived largely from operating activities.

Cash provided by operating activities in fiscal 2008 was $130.6 million, compared to $103.1 million last year. This increase is a result of higher operating and net income and lower payments for program and film rights as well as a positive variance in non-cash working capital changes. The lower payments for program and film rights are considered a timing issue and will reverse in the first quarter of fiscal 2009.

Cash used in investing activities in fiscal 2008 was $101.5 million, compared to cash used of $70.8 million last year. The prior year includes $64.7 million in cash outflow related to the TELETOON and CanWest radio acquisitions. In the current year, the Company advanced $75.0 million into escrow to fund the estimated purchase price of an analog specialty service. This acquisition closed in early September 2008. Capital expenditures are $2.7 million lower than in the prior year, as the Company looks to minimize capital expenditures ahead of its move to the Toronto waterfront development.

Cash used in financing activities in fiscal 2008 was $42.8 million, compared to $42.6 million in the prior year. In the current year, the Company drew on its credit facility in order to finance its normal course issuer bid and advance the cash on an analog specialty service acquisition. The Company continued purchasing its own shares under an ongoing issuer bid that was renewed in the second quarter of fiscal 2008. In fiscal 2008, 4,388,400 shares were purchased and cancelled at an average price of $20.84 per share for cash consideration of $91.4 million. The exercise of employee stock options resulted in $11.5 million in cash receipts, while $46.3 million in monthly dividends were paid.

Liquidity

As at August 31, 2008, the Company has available $100.0 million under a revolving term credit facility that matures on January 24, 2011. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

These borrowings combined with cash generated from operations have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights for the Television business and to produce and acquire film assets for the Content business. For the past three years, these expenditures have been financed from cash generated from operations. Historically, the Company has had no significant commitments related to the acquisition of property, plant and equipment; however, the Company will incur capital costs related to the Toronto waterfront lease signed in fiscal 2007. These costs will not be incurred until towards the end of fiscal 2009. The Company continues to maintain a positive working capital position.

As at August 31, 2008, the Company has a cash balance of $19.6 million and a working capital balance of $92.8 million. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for fiscal 2009.

Net debt to segment profit

As at August 31, 2008, net debt was $673.1 million, up from $577.4 million at August 31, 2007. This increase in net debt is a result of the cash outflows incurred by the Company's normal course issuer bid and cash advanced into escrow for the acquisition of an analog specialty service. Net debt to segment profit at August 31, 2008 was 2.7 times, up from 2.4 at August 31, 2007. This ratio remains below management's stated guidance range of 3.0 to 3.5 times.

Off-balance sheet arrangements and derivative financial instruments

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company uses derivative financial instruments to manage risks from fluctuations in interest rates. These instruments include interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. The carrying values of derivative financial instruments are adjusted to reflect their current market value.

During fiscal 2006, the Company entered into Canadian interest rate swap agreements to fix the interest rate on its outstanding bank loans. The estimated fair value of these agreements at August 31, 2008, is $9.4 million. This estimated fair value has been recorded as a liability in the consolidated balance sheets.

During fiscal 2007, the Company entered into a derivative instrument in order to offset its exposure to changes in the fair value of units issued under its PSU plan. As this derivative does not qualify for hedge accounting, the fair value of $0.1 million for this derivative has been included as a liability in the consolidated balance sheet as at August 31, 2008.

In fiscal 2006, Corus terminated a cross-currency agreement as part of the refinancing of its debt. The fair value of the liability at the date of its termination was included in the debt refinancing loss recorded in the second quarter of fiscal 2006.

Contractual commitments

Corus has the following contractual obligations:

(in thousands of Canadian dollars)	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	700,000	–	700,000	–	–
Operating leases	290,830	26,741	44,937	28,888	190,264
Film and program rights purchase commitments	359,740	139,369	152,183	68,188	–
Other long-term obligations	15,977	3,424	9,187	1,454	1,912

Transactions with related parties

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $102.4 million (2007 – $104.4 million), production and distribution revenue of $0.9 million (2007 – $3.5 million) and administrative and other fees of $6.4 million (2007 – $5.0 million) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4.5 million (2007 – $4.5 million) and administrative and other fees of $3.0 million (2007 – $2.6 million) to related parties. As at August 31, 2008, the Company had $19.4 million (2007 – $19.3 million) receivable from related parties.

The Company provided related parties with radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2008, was $1.3 million.

Outstanding share data

As at October 31, 2007, 3,445,358 Class A Voting Shares and 76,586,434 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

Impact of new accounting policies

Financial instruments, comprehensive income and hedges

On September 1, 2007, the Company prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement," Section 3861, "Financial Instruments – Disclosure and Presentation," Section 3865, "Hedges" and Section 1530, "Comprehensive Income," with no restatement of prior periods except for the presentation of the foreign currency translation adjustment. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives and the application of hedge accounting.

In adopting these recommendations, the Company made adjustments to its opening balance sheet as at September 1, 2007. The adoption of these standards did not have a significant impact on net income for the year ended August 31, 2008.

Recent accounting pronouncements

Financial instruments – disclosure and presentation

In December 2006, the CICA issued Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation." These standards enhance existing disclosures in previously issued Section 3861, "Financial Instruments – Disclosures and Presentation." Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same 39 presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007, on a prospective basis. The Company will adopt these new standards effective September 1, 2008.

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures." This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007, on a prospective basis. The Company will adopt this new standard effective September 1, 2008.

Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, "Financial Statement Concepts." These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective September 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards by eliminating the practice of recognizing as assets a variety of start-up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Company is currently evaluating the effects of adopting these changes.

International Financial Reporting Standards

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning September 1, 2011. The Company has begun the process of evaluating the impact of the change to IFRS.

Critical accounting estimates

The Company's significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

Film investments

The Company accounts for its production and distribution of film and television programs in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2"). SOP 00-2 requires that film and television costs of production and acquisitions are amortized using the individual-film-forecast-computation method. Under this method, capitalized costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film or television program over a period not to exceed ten years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

Broadcast licenses and goodwill

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The key assumptions used in the test include forecasted segment profit and industry multiples. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets. In fiscal 2008, the Company recorded $10.3 million in income tax recoveries related to the impact of income tax rate reductions on the measurement of future tax liabilities.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit. In fiscal 2008, the Company recorded an income tax recovery of $13.3 million relating to future tax liabilities that were deemed in that period to be no longer required as the result of various tax-planning strategies.

Production tax credits

The Company's consolidated balance sheets contain balances related to production tax credits received or receivable from federal and provincial government agencies. Tax credits are claimed based on the expectation of meeting eligibility requirements and amounts may be subject to estimation and interpretation. Claims are subject to audit by federal and provincial authorities, and no assurances can be given that amounts received or receivable will not be disallowed. Such a disallowance may have an impact on the net unamortized cost of completed films, and result in higher film amortization expense.

Controls and procedures

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Administrators, Corus' Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in Corus' annual filings (as defined in Multilateral Instrument 52-109) with the provincial securities legislation.

As Corus is a foreign private issuer listed on the New York Stock Exchange, similar certifications by Corus' Chief Executive Officer and Chief Financial Officer are required by Section 302(a) of the *Sarbanes-Oxley Act of 2002* related to information in Corus' Annual Report on Form 40-F.

Evaluation of disclosure controls and procedures

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that material information with respect to Corus, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of Corus' disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits to the provincial securities legislation is recorded, processed, summarized and reported, within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 and in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934*, as amended [the "Exchange Act"]), have concluded that, as at August 31, 2008, the Company's disclosure controls and procedures were effective.

Management's annual report on internal control over financial reporting

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). In addition, Corus' management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Corus' assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at August 31, 2008, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, Corus' management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at August 31, 2008, based on the framework set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

Attestation report of the registered public accounting firm

Ernst & Young LLP, an independent registered public accounting firm, who has audited, and reported on, the Company's consolidated financial statements for the year ended August 31, 2008, as included in this Annual Report, has also issued a report, under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States), on the operating effectiveness of internal control over financial reporting as at August 31, 2008.

Changes in internal controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

Management's responsibility for financial reporting

The accompanying consolidated financial statements of Corus Entertainment Inc. and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include a reconciliation to U.S. generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

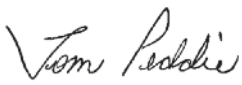
Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has continued to improve the operating effectiveness of internal control over external financial reporting. As at year end, we have determined that internal control over financial reporting is effective and Corus Entertainment Inc. has achieved compliance with the requirements set by the U.S. Securities and Exchange Commission ("SEC") under Section 404 of the U.S. *Sarbanes-Oxley Act* ("SOX"). In compliance with Section 302 of SOX, Corus Entertainment Inc.'s Chief Executive Officer and Chief Financial Officer provided to the SEC a certification related to Corus Entertainment Inc.'s annual disclosure document in the U.S. (Form 40-F). The same certification was provided to the Canadian Securities Administrators.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

John M. Cassaday
President and
Chief Executive Officer



Thomas C. Peddie FCA
Senior Vice President and
Chief Financial Officer

Report of independent registered public accounting firm

To the shareholders of Corus Entertainment Inc.

We have audited the consolidated balance sheets of Corus Entertainment Inc. as at August 31, 2008 and 2007 and the consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended August 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2008 in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Corus Entertainment Inc.'s internal control over financial reporting as of August 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 14, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada
November 14, 2008

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Report of independent registered public accounting firm

The Board of Directors of Corus Entertainment Inc.

We have audited Corus Entertainment Inc.'s internal control over financial reporting as of August 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Corus Entertainment Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's responsibility for financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

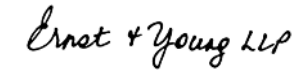
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Corus Entertainment Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2008, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Corus Entertainment Inc. as at August 31, 2008 and 2007, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended November 14, 2008 and our report dated November 14, 2008 expressed an unqualified opinion thereon.



Toronto, Canada
November 14, 2008

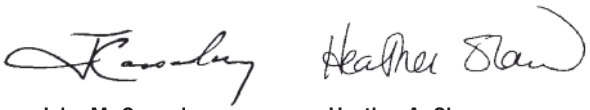
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Consolidated balance sheets

As at August 31 (in thousands of Canadian dollars)	*2008*	2007
Assets *(note 8)*		
Current		
Cash and cash equivalents	**19,642**	33,347
Accounts receivable *(notes 3 and 24)*	**157,440**	151,380
Income taxes recoverable	**1,615**	–
Prepaid expenses and other	**10,135**	10,921
Program and film rights	**131,301**	125,068
Future tax asset *(note 13)*	**9,593**	13,518
Total current assets	**329,726**	334,234
Tax credits receivable	**21,952**	16,875
Investments and other assets *(note 4)*	**93,086**	17,492
Property, plant and equipment *(note 5)*	**73,562**	78,342
Program and film rights	**103,163**	90,687
Film investments *(note 6)*	**80,819**	66,593
Deferred charges	**–**	4,100
Broadcast licenses *(note 15)*	**533,491**	532,812
Goodwill *(note 15)*	**797,854**	795,832
	2,033,653	1,936,967
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities *(note 7)*	**196,026**	166,083
Income taxes payable	**–**	1,474
Total current liabilities	**196,026**	167,557
Long-term debt *(note 8)*	**692,750**	610,697
Other long-term liabilities *(note 9)*	**59,936**	64,773
Future tax liability *(note 13)*	**87,699**	102,851
Total liabilities	**1,036,411**	945,878
Non-controlling interest	**20,237**	15,196
Shareholders' equity		
Share capital *(note 10)*	**848,257**	882,244
Contributed surplus	**17,304**	10,250
Retained earnings	**131,594**	95,568
Accumulated other comprehensive loss *(note 20)*	**(20,150)**	(12,169)
Total shareholders' equity	**977,005**	975,893
	2,033,653	1,936,967

Commitments, contingencies and guarantees *(notes 8 and 23)*

See accompanying notes



On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

Consolidated statements of income and comprehensive income

For the years ended August 31 (in thousands of Canadian dollars, except per share amounts)	***2008***	2007	2006
Revenues (notes 22 and 24)	**787,156**	768,743	726,270
Direct cost of sales, general and administrative expenses *(notes 10, 19, 23 and 24)*	**535,026**	527,822	512,151
Depreciation	**22,054**	21,556	21,302
Amortization	**–**	1,555	2,872
Interest expense *(notes 8 and 11)*	**41,313**	35,838	43,105
Disputed regulatory fees *(notes 7 and 23)*	**10,936**	–	–
Debt refinancing loss *(note 8)*	**–**	–	131,951
Other expense, net *(notes 12 and 19)*	**7,853**	9,800	11,667
Income before income taxes and non-controlling interest	**169,974**	172,172	3,222
Income tax expense (recovery) *(note 13)*	**35,519**	59,813	(36,005)
Non-controlling interest	**4,620**	5,341	3,756
Net income for the year	**129,835**	107,018	35,471
Earnings per share (note 10)			
Basic	**$1.57**	$1.27	$0.42
Diluted	**$1.54**	$1.23	$0.41
Net income for the year	**129,835**	107,018	35,471
Other comprehensive loss, net of tax			
Unrealized foreign currency translation adjustment	**(23)**	(641)	(1,519)
Unrealized change in fair value of available-for-sale investments	**(1,114)**	–	–
Unrealized change in fair value of cash flow hedges	**(13,851)**	–	–
	(14,988)	(641)	(1,519)
Comprehensive income for the year	**114,847**	106,377	33,952

See accompanying notes

Consolidated statements of changes in shareholders' equity

For the years ended August 31 (in thousands of Canadian dollars)	***2008***	2007	2006
Share capital			
Balance, beginning of year	**882,244**	870,563	885,911
Issuance of shares under Stock Option Plan	**12,338**	27,676	6,109
Shares repurchased	**(46,555)**	(16,229)	(21,687)
Repayment of executive stock purchase loans	**230**	234	230
Balance, end of year	**848,257**	882,244	870,563
Contributed surplus			
Balance, beginning of year	**10,250**	6,878	3,558
Stock-based compensation	**7,904**	4,133	3,448
Exercise of stock options	**(850)**	(761)	(128)
Balance, end of year	**17,304**	10,250	6,878
Retained earnings			
Balance, beginning of year	**95,568**	51,585	50,802
Cumulative impact of accounting changes *(note 2)*	**(1,594)**	–	–
Adjusted opening balance	**93,974**	51,585	50,802
Net income for the year	**129,835**	107,018	35,471
Dividends *(note 10)*	**(47,326)**	(42,842)	(19,586)
Share repurchase excess *(note 10)*	**(44,889)**	(20,193)	(15,102)
Balance, end of year	**131,594**	95,568	51,585
Accumulated other comprehensive loss			
Balance, beginning of year	**(12,169)**	(11,528)	(10,009)
Cumulative impact of accounting changes *(note 2)*	**7,007**	–	–
Adjusted opening balance	**(5,162)**	(11,528)	(10,009)
Other comprehensive loss, net of tax	**(14,988)**	(641)	(1,519)
Balance, end of year	**(20,150)**	(12,169)	(11,528)

See accompanying notes

Consolidated statements of cash flows

For the years ended August 31 (in thousands of Canadian dollars)	*2008*	2007	2006
Operating activities			
Net income for the year	**129,835**	107,018	35,471
Add (deduct) non-cash items:			
Depreciation	**22,054**	21,556	21,302
Amortization of program and film rights	**145,661**	138,711	124,327
Amortization of film investments	**28,393**	38,781	39,450
Future income taxes	**(7,321)**	16,295	(74,232)
Non-controlling interest	**4,620**	5,341	3,756
Stock-based compensation	**7,971**	13,066	12,137
Debt refinancing loss	**–**	–	131,951
Imputed interest and other	**8,593**	2,404	5,950
Net change in non-cash working capital balances related to operations	**(11,018)**	(27,810)	(9,898)
Payment of program and film rights	**(141,917)**	(156,220)	(134,751)
Net additions to film investments	**(56,293)**	(56,069)	(44,445)
Cash provided by operating activities	**130,578**	103,073	111,018
Investing activities			
Additions to property, plant and equipment	**(17,552)**	(20,287)	(23,598)
Business combinations	**(774)**	(64,692)	–
Cash held in escrow	**(74,950)**	–	–
Net cash flows for investments and other assets	**(4,251)**	20,679	15,943
Decrease in public benefits associated with acquisitions	**(3,993)**	(6,498)	(9,594)
Cash used in investing activities	**(101,520)**	(70,798)	(17,249)
Financing activities			
Increase in bank loans	**85,594**	14,388	592,687
Notes repurchase and swap termination	**–**	(634)	(727,829)
Issuance of shares under stock option plan	**11,488**	26,915	5,981
Shares repurchased	**(91,444)**	(36,422)	(36,789)
Dividends paid	**(46,284)**	(44,845)	(10,547)
Dividend paid to non-controlling interest	**(1,742)**	(1,524)	(5,304)
Other	**(375)**	(442)	(6,418)
Cash used in financing activities	**(42,763)**	(42,564)	(188,219)
Net decrease in cash and cash equivalents during the year	**(13,705)**	(10,289)	(94,450)
Cash and cash equivalents, beginning of year	**33,347**	43,636	138,086
Cash and cash equivalents, end of year	**19,642**	33,347	43,636

Supplemental cash flow disclosures *(note 18)*

See accompanying notes

August 31, 2008, 2007 and 2006
(in thousands of Canadian dollars, except share information)

Note 1. Basis of presentation

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the *Canada Business Corporations Act* and its Class B Non-Voting Shares are listed on the Toronto and New York Stock exchanges.

Note 2. Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

The effects of differences between the application of Canadian and U.S. GAAP on the consolidated financial statements of the Company are described in note 21.

As noted below, on September 1, 2007, the Company adopted the new accounting standards for financial instruments, hedges and comprehensive income.

Basis of consolidation

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited (80% interest), Telelatino Network Inc. (50.5% interest), Discovery Kids Canada (53.6% interest), SCREAM (51% interest) and Cosmopolitan TV (54% interest), as well as its proportionate share of the accounts of its joint ventures. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs, provisions for doubtful accounts to reflect credit exposures, valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates.

Revenue recognition

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

Revenues from the sale of books are recognized at the time of shipment, net of an estimated provision for returns. Revenues from the sale of subsidiary book rights, when determinable, are recorded on an accrual basis. When amounts are not determinable, amounts are recorded on receipt of funds. Grants for specific projects are recognized as revenue when the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

Investments

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Investments in joint ventures and partnerships that the Company jointly controls are accounted for using the proportionate consolidation method of accounting. Other investments are accounted for in accordance with the guidance on financial instruments.

Acquisitions subject to Canadian Radio-television and Telecommunications Commission ("CRTC") approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land and assets not available for use	Not depreciated
Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	Lease term
Buildings	20–40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4–10 years

Program and film rights

Program and film rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film rights are carried at the lower of cost less accumulated amortization and net recoverable amount.

Amortization of program and film rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

Film investments

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and investments in third-party-produced film projects. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods.

The Company accounts for projects in process and development, completed projects and distribution rights in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2").

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). Ultimate revenue is projected for periods not exceeding ten years from the date of delivery or acquisition. For episodic television series, SOP 00-2 requires that ultimate revenue includes estimates of revenue over a period not to exceed ten years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to direct cost of sales. Projects are written off at the earlier of the date determined not to be recoverable or when projects under development are abandoned, and three years from the date of the initial investment.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and estimated net realizable value as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

Investments in third-party-produced film projects are carried at the lower of cost and estimated net realizable value.

Amortization of film investments is included in direct cost of sales, general and administrative expenses.

Broadcast licenses and goodwill

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it performs its annual impairment test.

Goodwill impairment is determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by using various valuation techniques with the primary methods employed being a discounted cash flow ("DCF") analysis and a market-based approach. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the DCF analyses are based on the Company's budgets and business plans, and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators such as comparable company public trading values, research analyst estimates and values observed in private market transactions. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The impairment test for broadcast licenses consists of comparing their carrying amount to their fair value. Fair values for broadcast licenses are determined in a manner similar to that described above. An impairment charge, representing the excess of the carrying amount over the fair value, is then recognized on the consolidated statements of income, if any.

Government financing and assistance

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fees and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity investments is recorded as a reduction in film investments.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred.

Deferred credits

Deferred credits include (i) a provision for contributions to Canadian broadcasting initiatives that must be made by a purchaser of specialty television, pay television and radio undertakings in accordance with CRTC policies ("public benefits associated with acquisitions") associated with acquiring radio and television businesses that will be drawn down when the Company makes eligible payments toward meeting the conditions of license; (ii) unearned revenue from the distribution and licensing of rights for feature films and television programs; and (iii) other items that meet the criteria for deferral.

Income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

Foreign currency translation

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded in other comprehensive loss for the year.

For integrated foreign operations, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income for the year.

Other exchange gains and losses are included in net income for the year.

Financial instruments and hedging relationships

On September 1, 2007, the Company prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement," Section 3861, "Financial Instruments – Disclosure and Presentation," Section 3865, "Hedges" and Section 1530, "Comprehensive Income," with no restatement of prior periods except for the presentation of the foreign currency translation adjustment. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives and the application of hedge accounting.

The Company has classified its cash equivalents and derivative financial instruments that are not designated as hedges as held-for-trading. They are presented at their fair value and gains or losses arising on revaluation at the end of each year are included in net income for the year. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and certain components of other long-term liabilities are classified as other financial liabilities and are also measured at amortized cost. Investments in equity instruments are considered available-for-sale. Available-for-sale investments are carried at fair value on the consolidated balance sheets, with changes in fair value recorded in other comprehensive loss, until such time as the investments are disposed of or an other-than-temporary impairment has occurred, in which case the impairment is recorded in net income for the year. Long-term debt instruments have been classified as other financial liabilities and are measured at amortized cost. Financial instruments measured at amortized cost use the effective interest rate method of amortization.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in net income for the year unless they are effective cash flow hedging instruments. Derivative financial instruments that are designated as cash flow hedges, such as interest rate swap agreements, are presented at their fair value, with gains or losses arising from the revaluation at the end of each year included in other comprehensive loss to the extent of hedge effectiveness.

In adopting these recommendations, the Company made the following adjustments to the consolidated balance sheet as at September 1, 2007:

Debits (credits)	
Investments and other assets[a]	8,482
Program and film rights[b]	(4,946)
Deferred charges[c]	(4,100)
Long-term debt[c]	4,205
Other long-term liabilities[b]	2,332
Future tax liability	(560)
Retained earnings[b][c]	1,594
Accumulated other comprehensive loss[a]	(7,007)

[a] An increase to investments of $8,768 was booked to record unrealized gains on derivative contracts, and a decrease of $286 was booked to record unrealized losses on available-for-sale investments. This resulted in a net-of-tax transition adjustment of $(7,007) to accumulated other comprehensive loss.

[b] Decreases to program and film rights and other long-term liabilities were booked to reflect the balances as if the effective interest rate method had always been used to record program and film rights assets and liabilities. This resulted in a net-of-tax transition adjustment of $1,699 to retained earnings.

[c] Decreases to deferred charges and long-term debt were booked to reflect the balances as if the effective interest rate method had always been used to record financing fees associated with long-term debt. This resulted in a transition adjustment of $(105) to retained earnings.

With the adoption of these standards, the consolidated financial statements now include consolidated statements of comprehensive income. The comparative consolidated financial statements were restated solely to include the translation adjustment of self-sustaining foreign operations as provided by transition guidance.

The adoption of these standards did not have a significant impact on net income for the year ended August 31, 2008.

Stock-based compensation and other stock-based payments

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Cash-settled instruments such as the Performance Share Units are classified as liabilities and fair value is measured at each reporting period. Equity-settled instruments such as stock options and awards under the long-term incentive plan are classified as equity and fair value is measured and fixed at the date of the grant. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options is determined using the treasury stock method.

Impairment of long-lived assets

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

Pending accounting changes

In December 2006, the CICA issued Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation." These standards enhance existing disclosures in previously issued Section 3861, "Financial Instruments – Disclosure and Presentation." Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. Disclosures required by the new standard will be included in the Company's interim and annual consolidated financial statements commencing September 1, 2008.

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures." Section 1535 establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. Disclosures required by the new standard will be included in the Company's interim and annual consolidated financial statements commencing September 1, 2008.

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs." Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, "Financial Statement Concepts." These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective September 1, 2009. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards by eliminating the practice of recognizing as assets a variety of start-up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Company is currently evaluating the effects of adopting these changes.

Note 3. Accounts receivable

	2008	2007
Trade	**152,951**	143,718
Other	**8,173**	10,534
	161,124	154,252
Less allowance for doubtful accounts	**3,684**	2,872
	157,440	151,380

Note 4. Investments and other assets

	2008	2007
Cash held in escrow[(a)]	**74,950**	–
Investments at equity	**12,506**	10,057
Other *(note 24)*	**5,630**	7,435
	93,086	17,492

[(a)] In fiscal 2008, the Company advanced cash into escrow to fund the purchase of an analog specialty service. The transaction closed and the Company gained control of the acquiree in fiscal 2009.

Note 5. Property, plant and equipment

2008	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	**41,831**	**28,798**	**13,033**
Production equipment	**98,079**	**85,491**	**12,588**
Leasehold improvements	**39,575**	**26,585**	**12,990**
Buildings	**23,459**	**10,955**	**12,504**
Computer equipment	**63,939**	**54,464**	**9,475**
Furniture and fixtures	**22,803**	**20,301**	**2,502**
Land	**6,814**	**–**	**6,814**
Other	**4,833**	**1,177**	**3,656**
	301,333	**227,771**	**73,562**

2007	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	38,135	26,575	11,560
Production equipment	95,009	80,402	14,607
Leasehold improvements	38,856	23,657	15,199
Buildings	23,262	9,992	13,270
Computer equipment	56,867	45,812	11,055
Furniture and fixtures	22,456	19,380	3,076
Land	6,814	–	6,814
Other	4,539	1,778	2,761
	285,938	207,596	78,342

Note 6. Film investments

	2008	2007
Projects in development and in process, net of advances	**18,285**	22,772
Completed projects and distribution rights	**38,687**	28,874
Investments in third-party-produced film projects	**23,847**	14,947
	80,819	66,593

During fiscal 2008, the Company reduced its investments in film and television programs by anticipated federal and Ontario production tax credits amounting to $16,185 (2007 – $16,213).

The Company expects that 21% and 59% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2009 and three years ending August 31, 2011, respectively. It is estimated that at least 80% will be amortized within five years.

The Company expects that $6,121 of accrued participation liabilities will be paid during the year ending August 31, 2009.

Note 7. Accounts payable and accrued liabilities

	2008	2007
Trade accounts payable and accrued liabilities	**79,066**	82,270
Program rights payable	**95,059**	75,081
Film investment accruals	**2,887**	1,696
Dividends payable	**8,078**	7,036
Disputed regulatory fees	**10,936**	–
	196,026	166,083

In fiscal 2006, the Company recorded restructuring expenses of $11,433 in the Radio and Content segments related primarily to severance and other restructuring activities. In fiscal 2007, the Company recorded $10,393 in restructuring expenses, related primarily to severance and other restructuring activities in the Television segment and severances in the Montreal Radio cluster. In fiscal 2008, the Company recorded an additional $2,666 in restructuring expenses in the Television segment and $3,476 in restructuring expenses in the Radio segment. These costs are included in other expense, net. To date, $24,986 has been paid in respect of these provisions and as at August 31, 2008, $2,982 remains unpaid. The Company anticipates that these provisions will be substantially paid in fiscal 2009.

Included in accounts payable and accrued liabilities at August 31, 2008 is $10,936 related to regulatory fees currently being disputed by the broadcasting industry. No accrual was recorded at August 31, 2007.

Note 8. Long-term debt

	2008	2007
Bank loans	**695,767**	610,697
Unamortized financing fees	**(3,017)**	–
	692,750	610,697

The Company has a credit facility with a syndicate of banks that matures on January 24, 2011. The amount committed is $800,000, of which $300,000 is available on a revolving basis and $500,000 on a non-revolving basis, and is repayable at maturity. Funds are available to the Company in both Canadian and U.S. dollars and charge interest on a fluctuating basis plus a margin. As at August 31, 2008, $200,000 of the revolving facility and all of the non-revolving facility were utilized.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at August 31, 2008, the weighted average interest rate on the outstanding bank loans was 4.4% (2007 – 5.9%). The Company has entered into Canadian interest rate swap agreements to fix the interest rate at 4.13% plus a margin on $400,000 of the non-revolving facility for the full term of the facility. Interest on the bank loans, including the impact of the swap, averaged 5.3% for fiscal 2008 (2007 – 5.4%).

In fiscal 2006, the Company extinguished its Senior Subordinated Notes and terminated the associated cross-currency agreements. These transactions resulted in the Company recording a $131,951 debt refinancing loss in fiscal 2006. The components of this loss include mark-to-market payments on the cross-currency agreement termination, consent and tender premiums, the write-off of deferred financing charges and underwriting and other fees.

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. As well, unlimited guarantees are provided by certain subsidiaries. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the financial covenants provided under the bank loans as at August 31, 2008.

Note 9. Other long-term liabilities

	2008	2007
Public benefits associated with acquisitions	**3,467**	7,200
Unearned revenue	**3,160**	9,403
Program rights payable	**31,719**	32,079
Stock-based compensation obligations	**1,332**	4,947
Deferred leasehold inducements	**5,488**	5,959
Derivative fair value	**9,381**	–
Other	**5,389**	5,185
	59,936	64,773

Note 10. Share capital

Authorized

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding-up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

Effective on February 1, 2008, the Class A Voting Shares and Class B Non-Voting Shares were split on a two-for-one basis. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the two-for-one split.

Issued and outstanding

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2006 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	#	$	#	$	$
Balance as at August 31, 2006	3,447,858	26,700	80,563,058	843,863	870,563
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(2,000)	(16)	2,000	16	–
Issuance of shares under Stock Option Plan	–	–	1,997,736	27,676	27,676
Shares repurchased	–	–	(1,538,200)	(16,229)	(16,229)
Repayment of executive stock purchase loans	–	–	–	234	234
Balance as at August 31, 2007	3,445,858	26,684	81,024,594	855,560	882,244
Issuance of shares under Stock Option Plan	–	–	725,384	12,338	12,338
Shares repurchased	–	–	(4,388,400)	(46,555)	(46,555)
Repayment of executive stock purchase loans	–	–	–	230	230
Balance as at August 31, 2008	**3,445,858**	**26,684**	**77,361,578**	**821,573**	**848,257**

There are no Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares outstanding as at August 31, 2008.

Stock Option Plan

Under the Company's Stock Option Plan (the "Plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the Plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed ten years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

As a result of the two-for-one stock split, the number of outstanding options was adjusted in accordance with existing plan provisions. All prior period option numbers as well as weighted average exercise prices and fair values per option have been retroactively adjusted to reflect the two-for-one stock split.

A summary of the changes to the stock options outstanding since August 31, 2006, is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Outstanding as at August 31, 2006	6,869,284	13.99
Forfeited	(98,046)	15.62
Exercised	(1,997,736)	13.47
Outstanding as at August 31, 2007	4,773,502	14.18
Granted	255,800	22.45
Forfeited	(434,630)	19.18
Exercised	(725,384)	15.84
Outstanding as at August 31, 2008	**3,869,288**	**13.85**

As at August 31, 2008, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding (#)	Weighted average exercise price ($)
9.53–12.48	2,184,060	2.6	11.49	1,972,260	11.44
13.50–16.50	1,130,968	2.2	15.45	880,968	15.26
17.25–22.65	554,260	3.5	19.92	288,460	17.74
9.53–22.65	3,869,288	2.6	13.85	3,141,688	13.09

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense for the year ended August 31, 2008 of $1,917 (2007 – $3,003; 2006 – $2,915). This charge has been credited to contributed surplus.

The fair value of each option granted in fiscal 2008 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Fair value	$4.32
Expected life	Five years
Risk-free interest rate	3.80%
Dividend yield	2.75%
Volatility	22.6%

On October 22, 2008, the Company granted a further 464,500 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $17.62 per share.

Dividends

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.005 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

The total amount of dividends declared in fiscal 2008 was $47,326 (2007 – $42,842; 2006 – $19,586).

Earnings per share

The following is a reconciliation of the numerator and denominators (in thousands) used for the computation of the basic and diluted earnings per share amounts:

	2008	2007	2006
Net income for the year (numerator)	**129,835**	107,018	35,471
Weighted average number of shares outstanding (denominator)			
Weighted average number of shares outstanding – basic	**82,944**	84,561	84,921
Effect of dilutive securities	**1,575**	2,095	1,572
Weighted average number of shares outstanding – diluted	**84,519**	86,656	86,493

Diluted earnings per share for fiscal 2008 excluded 171,581 weighted average Class B Non-Voting Shares (2007 – nil; 2006 – 862,262) issuable under the Company's Stock Option Plan because these options were not "in-the-money."

Executive stock purchase loans

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest-bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a ten-year term from December 1, 2001, with annual installments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2008, the Company had loans receivable of $716 (2007 – $946) from certain qualifying executive officers. As at August 31, 2008, the market value of the shares held as collateral for the loans was $2,015 (2007 – $2,669).

Performance Share Units

The Company has granted Performance Share Units ("PSUs") to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the Toronto Stock Exchange (the "TSX") at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance based criteria being met during the period. The stock-based compensation expense recorded in fiscal 2008 in respect of this plan was $1,264 (2007 – $6,059; 2006 – $8,689). A reduction in the Company's share price led to an adjustment to the assumptions underlying the expense recognition of this plan in fiscal 2008. The current year's expense includes a charge of $1,197 (2007 – income of $2,874) generated by a total return swap entered into in fiscal 2007 in order to limit the Company's exposure to changes in the fair value of certain obligations under the PSU plan.

Long-term incentive plan

In fiscal 2006, the Company implemented a long-term plan for senior management based on shareholder appreciation targets. Each unit granted under this plan entitles the participant to receive, at the Company's option, one Class B Non-Voting Share or a cash payment in an amount equal to the closing price of one Class B Non-Voting Share traded on the TSX at the end of the restriction period. The 255,390 units granted in fiscal 2006 and 209,870 units granted in fiscal 2007 under this plan vest at the end of fiscal 2008 and 2009, respectively. In fiscal 2008, 156,400 units were granted, with vesting periods between three and five years. The stock-based compensation expense recorded in fiscal 2008 in respect of this plan was $5,987 (2007 – $1,130; 2006 – $533). This charge has been credited to contributed surplus.

Normal course issuer bid

On February 13, 2008, the Company announced that the TSX had accepted the notice filed by the Company of its intention to renew its normal course issuer bid for its Class B Non-Voting Shares through the facilities of the TSX. The Company intends to purchase for cancellation a maximum of 6,000,000 Class B Non-Voting Shares.

The shares purchased for cancellation since August 31, 2006 are as follows:

	Fiscal 2008			Fiscal 2007		
Normal course issuer bid expiry date	#	$	Average	#	$	Average
December 31, 2006	–	–	–	108,600	2,198	20.24
February 14, 2008	**1,570,400**	**38,479**	**24.50**	1,429,600	34,224	23.94
February 14, 2009	**2,818,000**	**52,965**	**18.80**	–	–	–
	4,388,400	**91,444**	**20.84**	1,538,200	36,422	23.68

During fiscal 2008, the total cash consideration paid exceeded the carrying value of the shares repurchased by $44,889 (2007 – $20,193; 2006 – $15,102), which was charged to retained earnings.

In September and October 2008, a further 794,966 Class B Non-Voting Shares were purchased and cancelled at an average price of $18.97 per share.

Note 11. Interest expense

	2008	2007	2006
Interest on long-term debt	**33,049**	33,553	41,383
Imputed interest on long-term liabilities	**6,390**	1,307	1,303
Other	**1,874**	978	419
	41,313	35,838	43,105

Note 12. Other expense, net

	2008	2007	2006
Interest income	**(1,042)**	(841)	(2,643)
Foreign exchange losses	**823**	109	487
Losses (earnings) from equity investments	**1,343**	857	(1,004)
Restructuring charges	**6,142**	10,393	11,433
Asset disposal losses (gains)	**597**	(1,448)	2,801
Other	**(10)**	730	593
	7,853	9,800	11,667

Note 13. Income taxes

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

	2008	2007
Deferred charges deducted for tax purposes capitalized for accounting purposes	**681**	846
Capital cost allowance in excess of book depreciation	**(570)**	(95)
Deferred partnership income	**4,035**	4,611
Differences in tax and accounting cost bases for investments	**4,300**	14,909
Broadcast licenses and other intangible assets	**130,163**	144,804
Other, net	**3,101**	2,787
Total future tax liability	**141,710**	167,862
Book depreciation in excess of capital cost allowance	**24,139**	27,356
Loss carryforwards, net of valuation allowances	**14,575**	28,760
Amortization deducted for accounting purposes in excess of tax purposes	**13,560**	1,442
Differences in tax and accounting cost bases for investments	**2,277**	17,660
Differences in revenue recognition for tax and accounting purposes	**1,471**	993
Purchase price equation differences	**54**	56
Other, net	**7,528**	2,262
Total future tax asset	**63,604**	78,529
Net future tax liability	**78,106**	89,333
Less current portion of future tax asset	**9,593**	13,518
	87,699	102,851

Significant components of the income tax expense (recovery) are as follows:

	2008	2007	2006
Current tax expense	**42,840**	43,518	38,227
Future tax resulting from temporary differences	**6,750**	3,189	(12,978)
Future tax resulting from losses	**13,074**	14,293	(24,552)
Future tax resulting from tax rate changes	**(10,266)**	(1,631)	(11,835)
Recovery of various future tax liabilities	**(12,841)**	–	(25,187)
Other	**(4,038)**	444	320
	35,519	59,813	(36,005)

The reconciliation of income tax attributable to operations computed at the statutory rates to income tax expense is as follows:

	2008		2007		2006	
	$	%	$	%	$	%
Tax at combined federal and provincial rate	**57,744**	**34.0**	61,055	35.5	1,133	35.2
Reduction in future taxes resulting from statutory rate change	**(10,266)**	**(6.0)**	(1,631)	(0.9)	(11,835)	(367.3)
Recovery of various tax liabilities	**(13,302)**	**(7.8)**	1,016	0.6	(25,187)	(781.7)
Other	**1,343**	**0.7**	(627)	(0.5)	(116)	(3.7)
	35,519	**20.9**	59,813	34.7	(36,005)	(1,117.5)

The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2008, the Company had available loss carryforwards of approximately $67,500. A future tax asset of $21,045 (2007 – $37,580) has been recognized in respect of these carryforwards, net of a valuation allowance of $6,470 (2007 – $8,820).

The available loss carryforwards will expire as follows:

2009	5,700
2010	2,700
2011	1,900
2015	1,100
2025	100
2026	33,400
2027	800
2028	4,600
No expiration	17,200
	67,500

Note 14. Business segment information

The Company's business activities are conducted through three reportable operating segments:

Radio

The Radio segment consists of 53 radio stations, situated primarily in high growth urban centres in Canada. Revenues are derived from advertising aired over these stations.

Television

The Television segment includes interests in several specialty television networks, pay television, conventional television stations, a digital music service and cable advertising services, and the Nelvana production studio. Revenues are generated from subscriber fees and advertising.

Content

The Content segment includes the production and distribution of television programs and the sale and licensing of related products. Revenues are generated from licensing of proprietary films and television programs, merchandise licensing and publishing. The Content segment derives programs for distribution through two means: (1) production by the Nelvana studio, and (2) acquisition from third-party producers.

Management evaluates each business segment's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes disputed regulatory fees.

Revenues and segment profit

Year ended August 31, 2008	*Radio*	*Television*	*Content*	*Corporate*	*Eliminations*	*Consolidated*
Revenues	**286,449**	**450,175**	**51,959**	**–**	**(1,427)**	**787,156**
Direct cost of sales, general and administrative expenses	**210,945**	**258,410**	**44,757**	**22,979**	**(2,065)**	**535,026**
Segment profit	**75,504**	**191,765**	**7,202**	**(22,979)**	**638**	**252,130**
Depreciation	**6,533**	**10,309**	**164**	**5,048**	**–**	**22,054**
Interest expense	**1,042**	**3,765**	**878**	**35,628**	**–**	**41,313**
Disputed regulatory fees	**6,155**	**4,781**	**–**	**–**	**–**	**10,936**
Other expense, net	**3,594**	**4,362**	**2,493**	**(2,596)**	**–**	**7,853**
Income before income taxes and non-controlling interest	**58,180**	**168,548**	**3,667**	**(61,059)**	**638**	**169,974**

Year ended August 31, 2007	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	275,736	436,270	61,325	–	(4,588)	768,743
Direct cost of sales, general and administrative expenses	198,201	253,822	55,883	24,844	(4,928)	527,822
Segment profit	77,535	182,448	5,442	(24,844)	340	240,921
Depreciation	6,195	10,908	256	4,197	–	21,556
Amortization	–	355	–	1,200	–	1,555
Interest expense	1,015	245	496	34,082	–	35,838
Other expense, net	3,911	6,156	2,876	(3,143)	–	9,800
Income before income taxes and non-controlling interest	66,414	164,784	1,814	(61,180)	340	172,172

Year ended August 31, 2006	Radio	Television	Content	Corporate	Eliminations	Consolidated
Revenues	268,367	401,856	63,618	–	(7,571)	726,270
Direct cost of sales, general and administrative expenses	200,015	236,563	59,118	23,998	(7,543)	512,151
Segment profit	68,352	165,293	4,500	(23,998)	(28)	214,119
Depreciation	6,899	10,493	149	3,761	–	21,302
Amortization	–	1,065	–	1,807	–	2,872
Interest expense	855	168	8	42,074	–	43,105
Debt refinancing loss	–	–	–	131,951	–	131,951
Other expense, net	4,000	901	6,468	298	–	11,667
Income before income taxes and non-controlling interest	56,598	152,666	(2,125)	(203,889)	(28)	3,222

The Corporate segment represents the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Gross revenues are derived from the following geographical sources, by location of customer, as follows:

	2008	2007	2006
Canada	**738,914**	718,053	675,199
United States	**28,179**	26,708	28,798
International	**20,063**	23,982	22,273
	787,156	768,743	726,270

Corus' revenue streams for fiscal 2008 are derived primarily from three areas: advertising (59%), subscriber fees (29%) and license fees (4%) (2007 – 57%, 29% and 6%, respectively).

Segment assets

	2008	2007
Radio	**736,224**	725,410
Television	**1,108,606**	1,065,585
Content	**71,206**	77,453
Corporate	**117,617**	68,519
	2,033,653	1,936,967

Assets are located primarily within Canada.

Capital expenditures by segment

	2008	2007	2006
Radio	**6,900**	7,745	11,253
Television	**5,146**	7,522	5,254
Content	**311**	290	3,289
Corporate	**5,195**	4,730	3,802
	17,552	20,287	23,598

Property, plant and equipment are located primarily within Canada.

Goodwill

	2008	2007
Radio	**419,983**	417,961
Television	**370,425**	370,425
Content	**7,446**	7,446
	797,854	795,832

Goodwill is located primarily within Canada.

Note 15. Business combinations

In fiscal 2007, the Company completed the acquisition of an additional 10% share of TELETOON, to increase its ownership interest in this television network from 40% to 50%. The total cash consideration paid was $46,645. This investment will continue to be accounted for as a joint venture, and as such, the net assets acquired and results of operations are proportionately consolidated from the date of acquisition.

In the fourth quarter of fiscal 2007, the Company completed the acquisition of two radio stations. The total cash consideration paid was $18,047. The Company had not yet finalized the valuation of intangible assets for the purpose of allocating the purchase cost of this acquisition at the end of fiscal 2007.

These transactions resulted in an increase to broadcast licenses of $27,600 and an increase to goodwill of $39,094 in fiscal 2007.

During fiscal 2008, the Company finalized the purchase equation for the acquisition of two radio stations in fiscal 2007, and in an unrelated transaction completed the acquisition of an additional radio station. The impact of these transactions was to increase broadcast licenses by $679 and increase goodwill by $2,022.

Note 16. Joint ventures

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

	2008	2007
Current assets	**31,086**	32,593
Long-term assets	**38,475**	28,370
Current liabilities	**28,751**	32,179
Long-term liabilities	**5,900**	225
Cash provided by operating activities	**3,390**	12,769
Cash provided by (used in) investing activities	**(265)**	1,102
Revenues	**52,560**	52,748
Expenses	**36,310**	36,484
Net income for the year	**16,250**	16,264

Note 17. Financial instruments

The fair values of financial instruments have been determined as follows:

Current assets and liabilities

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

Investments and other assets

The fair value of publicly traded shares included in this category is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

Long-term debt

The carrying value of the Company's bank loans approximates their fair value because interest charges under the terms of the bank loans are based on current Canadian bankers' acceptance and LIBOR rates.

Other long-term liabilities

The fair values of financial instruments in this category approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

Derivative financial instruments

The fair values of derivative financial instruments are determined based on quotations by the counterparties to the agreements.

The estimated fair values of these agreements are as follows:

	August 31, 2008		August 31, 2007	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Interest rate swap agreements	**(9,381)**	**(9,381)**	–	8,768
Total return swap agreements	**(49)**	**(49)**	(497)	(497)

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit risks and concentration

Credit risks associated with the interest rate swap agreements arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable resulting from advertising and affiliate subscriber fee revenues are not subject to any concentration of credit risk.

Accounts receivable from distribution and licensing of proprietary exploitation rights of feature films and television programs are subject to credit risk. The risk is mitigated because the Company enters into license and distribution contracts with many major international broadcasters and distributors.

Note 18. Consolidated statements of cash flows

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

Net change in non-cash working capital balances consists of the following:

	2008	2007	2006
Accounts receivable	**(5,007)**	(10,275)	14,509
Prepaid expenses and other	**186**	(2,586)	3,435
Accounts payable and accrued liabilities	**3,687**	(9,939)	(28,160)
Income taxes payable	**(2,777)**	(3,240)	1,546
Deferred credits	**(6,881)**	(1,662)	1,223
Other	**(226)**	(108)	(2,451)
	(11,018)	(27,810)	(9,898)

Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2008	2007	2006
Interest paid	**35,031**	33,928	61,025
Interest received	**1,042**	841	2,643
Income taxes paid	**46,796**	47,646	38,218

Note 19. Foreign exchange gains and losses

The Company has reflected certain gains and losses in its consolidated statements of income as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relates to operating activities while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2008	2007	2006
Direct cost of sales, general and administrative expenses	**(423)**	(363)	(511)
Other expense, net	**823**	109	487
Total foreign exchange losses (gains)	**400**	(254)	(24)

Note 20. Accumulated other comprehensive losses

	2008	2007
Foreign currency translation adjustment	**(12,192)**	(12,169)
Unrealized loss on available-for-sale investments, net of tax	**(1,297)**	–
Unrealized loss on cash flow hedge, net of tax	**(6,661)**	–
	(20,150)	(12,169)

Note 21. Reconciliation of Canadian GAAP to U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with U.S. GAAP:

Reconciliation to U.S. GAAP

	2008	2007	2006
Net income using Canadian GAAP	**129,835**	107,018	35,471
Add (deduct) adjustments for:			
Discount of program and film rights assets and liabilities (i)	**–**	(499)	(728)
Deferred charges	**–**	251	752
Other	**–**	–	447
Income tax effect of adjustments	**–**	85	(36)
Net income using U.S. GAAP	**129,835**	106,855	35,906
Comprehensive income using Canadian GAAP	**114,847**	106,377	33,952
Add (deduct) adjustments for changes in:			
Net adjustments to net income noted above	**–**	(163)	435
Unrealized gain on investments classified as available for sale, net of tax (ii)	**–**	129	1,235
Unrealized gain on derivative contracts, net of tax (iii)	**–**	5,540	69,847
Comprehensive income using U.S. GAAP	**114,847**	111,883	105,469
Earnings per share using U.S. GAAP			
Basic	**$1.57**	$1.26	$0.42
Diluted	**$1.54**	$1.23	$0.42

Selected consolidated balance sheet items using U.S. GAAP

	2008		2007	
	Canadian GAAP	***U.S. GAAP***	Canadian GAAP	U.S. GAAP
Investments and other assets (ii)	**93,086**	**93,086**	17,492	25,974
Program and film rights	**234,464**	**234,464**	215,755	210,809
Broadcast licenses and goodwill (iv)	**1,331,345**	**1,339,630**	1,328,644	1,336,929
Other long-term liabilities	**59,936**	**59,936**	64,773	62,441
Future tax liability	**87,699**	**91,226**	102,851	106,938
Retained earnings	**131,594**	**136,352**	95,568	98,627
Accumulated other comprehensive loss (iii)	**20,150**	**20,150**	12,169	5,162

The cumulative effect of these adjustments on shareholders' equity is as follows:

	2008	2007
Retained earnings		
Discount of program and film rights assets and liabilities (i)	**–**	(1,699)
Equity in earnings of investees (iv)	**4,758**	4,758
Accumulated other comprehensive loss		
Unrealized loss on investments (ii)	**–**	(183)
Unrealized gain on derivative contracts (iii)	**–**	7,190
Total cumulative effect of adjustments on shareholders' equity	**4,758**	10,066

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

(i) Discount of program and film rights assets and liabilities

As described in note 2, on September 1, 2007, the Company recorded decreases to program and film rights and other long-term liabilities to reflect the balances as if the effective interest rate method had always been used to record program and film rights assets and liabilities. This resulted in a net-of-tax transition adjustment of $1,699 to retained earnings on September 1, 2007. Under U.S. GAAP, a transition adjustment of $902 was made on September 1, 2005, with reductions of $473 and $324 to net income in 2006 and 2007, respectively. The Company believes this change is preferable as it results in liabilities reflecting the time value of money and also eliminates a GAAP difference. The new method is an allowable alternative under U.S. GAAP.

(ii) Unrealized loss on investments

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity, net of related deferred income taxes. Prior to the implementation of the new standards on financial instruments, under Canadian GAAP these investments were carried at cost and written down only when there was evidence that a decline in value that was other-than-temporary had occurred. The Company had determined that the decline in fair value was not other-than-temporary, based on the financial condition of the issuer and the fact that the Company had the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for an anticipated recovery in market value. The Company has considered evidence, such as industry analyst reports, that supported this conclusion.

(iii) Derivative instruments and hedging activities

Under U.S. GAAP, all derivative instruments are to be recorded on the consolidated balance sheets at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through income or deferred in other comprehensive loss until the hedged item is recognized in income. Prior to the adoption of the new Canadian financial instruments accounting guidance by the Company in fiscal 2008, this resulted in a GAAP difference.

(iv) Equity in earnings of investees

Under Canadian GAAP, the investments in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ("WIC") in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments is used from the date the Company first acquired shares in Nelvana and WIC.

Accounting for uncertain tax positions

Effective September 1, 2007, the Company adopted FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." The implementation of FIN 48 had no impact on net income or retained earnings in any of the periods presented.

The liability for unrecognized tax benefits ("UTBs") related to permanent and temporary tax adjustments, exclusive of interest, was $6,404 as at August 31, 2008 (2007 – $18,553). Of this total, $4,049 of tax benefits would favourably affect the Company's effective tax rate if the benefits were recognized in the consolidated financial statements.

The net decrease in the liability of $12,150 since the date of adoption resulted from the following:

UTB balance as at September 1, 2007	18,553
Gross decrease related to tax positions of prior years	(115)
Gross increase related to tax positions of current year	807
Reductions related to the lapse of statute of limitations	(12,841)
UTB balance as at August 31, 2008	6,404

The Company recognizes interest expense and penalties related to UTBs within the provision for income tax expense in the consolidated statements of income. The liability related to interest and penalties was $1,189 as at August 31, 2008 (2007 – $3,184). During the year ended August 31, 2008, the Company recorded a recovery of $1,995 in respect of interest expense and penalties related to UTBs.

The Company believes it is reasonably possible that its UTB balance could decrease by $2,644 in the next 12 months as a result of the potential resolution of an ongoing tax dispute.

The following table summarizes, by major tax jurisdiction, the tax years that remain open to examination by the relevant taxing authorities:

Tax jurisdiction	Years subject to examination
Canada	2004–forward
Ireland	2002–forward
United States	2005–forward

Recent United States accounting pronouncements

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements." This new standard defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. This new standard is effective for the Company beginning September 1, 2008. The Company is currently assessing the impact of this new standard.

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities the option to measure financial instruments at fair value, thereby achieving an offsetting effect for accounting purposes for certain changes in fair value of certain related assets and liabilities without having to apply hedge accounting. This statement is effective for the Company beginning September 1, 2008. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 141R, "Business Combinations." The statement will require all business acquisitions to be measured at fair value; the existing definition of a business would be expanded; pre-acquisition contingencies would be measured at fair value; most acquisition-related costs would be recognized as expenses as incurred; as well as other changes. The statement is effective for the Company beginning September 1, 2009. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

In December 2007, the FASB issued FASB Statement No. 160, "Non-controlling Interests in Financial Statements." The statement will improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing new accounting and reporting standards. The statement is effective for the Company beginning September 1, 2009. The Company is currently assessing the impact of this new standard on its consolidated financial statements.

Note 22. Government financing and assistance

Revenues include $1,704 (2007 – $1,708; 2006 – $2,845) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $853 (2007 – $804; 2006 – $939) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

Note 23. Commitments, contingencies and guarantees

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term operating lease agreements for the use of facilities and equipment in each of the next five years and thereafter as follows:

2009	26,741
2010	24,829
2011	20,108
2012	15,023
2013	13,865
Thereafter	190,264
	290,830

Rental expenses recognized in direct cost of sales, general and administrative expenses totalled approximately $13,556 (2007 – $13,180; 2006 – $13,070).

The Company has entered into various agreements for the right to broadcast or distribute certain film and television programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films and television programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of approximately $300,240.

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2008, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

In fiscal 2005, Corus and a related party entered into a contra agreement for the exchange of $2,500 in media time annually for a five-year period. The Company's obligation will be settled with a combination of radio and television spots. In addition, the Company will provide a total of $1,000 annually in direct response promotions for the related party.

On December 14, 2006, the Federal Court of Canada ruled that the Part II license fees paid by CRTC licensees are an unlawful tax. Corus has paid these fees since the Company's inception in 1999, and in fiscal 2006 the Company remitted approximately $5,000 in Part II license fees to the CRTC. The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision. The broadcasting industry is pursuing avenues of appeal; however, until such time as an appeal is heard, the regulation is in force. The accrual recorded in fiscal 2008 includes a balance of $4,911 related to fiscal 2007 and $6,025 related to fiscal 2008.

Note 24. Related party transactions

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $102,415 (2007 – $104,402; 2006 – $92,837), production and distribution revenue of $850 (2007 – $3,487; 2006 – $2,853) and administrative and other fees of $6,403 (2007 – $5,006; 2006 – $5,968) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,478 (2007 – $4,493; 2006 – $4,441) and administrative and other fees of $2,956 (2007 – $2,604; 2006 – $2,106) to related parties. As at August 31, 2008, the Company had $19,413 (2007 – $19,328) receivable from related parties.

The Company provided related parties with radio and television spots in return for television advertising and uplink services. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Included in other investments (note 4) and share capital (note 10) are loans of $1,342 (2007 – $1,706) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest-bearing and are due between December 1, 2011 and October 31, 2022.

Note 25. Employee future benefits

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada). The amount contributed in 2008 related to the defined contribution plan was $6,195 (2007 – $5,836; 2006 – $6,016). The amount contributed is approximately the same as the expense included in the consolidated statements of income.

In fiscal 2008, the Company introduced a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employees' highest three-year average rate of pay during their years of service, and accrue starting from the date of the implementation of the plan. The Company recorded an expense of $450 in fiscal 2008 in respect of this plan.

Note 26. Subsequent event

On September 2, 2008, the Company announced that it had completed the acquisition of Canadian Learning Television ("CLT") effective September 1, 2008. The acquisition cost was approximately $75,000, including customary closing adjustments. The CRTC approved the acquisition on August 22, 2008 and the Company took over ownership and operation of CLT on September 1, 2008.

Note 27. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2008 consolidated financial statements.

Officers

Hal Blackadar
Oakville, Ontario
Vice President, Human Resources,
Corus Entertainment Inc.

John M. Cassaday
Toronto, Ontario
President and Chief Executive Officer,
Corus Entertainment Inc.

Scott Dyer
Toronto, Ontario
Chief Technology Officer,
Corus Entertainment Inc.

Gary Maavara
Toronto, Ontario
Vice President and General Counsel,
Corus Entertainment Inc.

Doug Murphy
Toronto, Ontario
Executive Vice President and General Manager, Corus Kids,
President, Nelvana,
Corus Entertainment Inc.

Thomas C. Peddie FCA
Toronto, Ontario
Senior Vice President and Chief Financial Officer,
Corus Entertainment Inc.

John R. (Jack) Perraton
Calgary, Alberta
Corporate Secretary,
Corus Entertainment Inc.
Senior Partner, Perraton Law

Paul W. Robertson
Toronto, Ontario
President, Television,
Corus Entertainment Inc.

Susan Ross
Toronto, Ontario
Executive Vice President and General Manager,
Specialty and Pay Television,
Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Executive Chair,
Corus Entertainment Inc.

David Spence CA
Markham, Ontario
Vice President, Controller,
Corus Entertainment Inc.

Directors

Pierre Béland
Montreal, Quebec
Mr. Béland is President of Métromédia Plus, a Montreal-based transit advertising company. Prior to this, he held the position of President of Corus Radio Québec, Métromédia Broadcasting and Télémedia Québec. Mr. Béland is a member of the Québec Bar Association and is also involved with a number of charitable organizations. Mr. Béland has an extensive background in broadcasting and other advertising-supported media with specific knowledge of the Quebec market.

Member of the Human Resources Committee

John M. Cassaday
Toronto, Ontario
Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position which he has held since the creation of Corus in September 1999. Prior to the creation of Corus, Mr. Cassaday was President, Shaw Media. He is a Director of Manulife Financial and Sysco Corporation.

Member of the Executive Committee

Dennis Erker
Edmonton, Alberta
Mr. Erker is a Partner in the Fairley Erker Advisory Group, a financial and estate planning company. Mr. Erker is the Chairman of Canadian Hydro Developers Inc., a Director of First Canadian Insurance Company and Millennium Insurance Company and serves as a Director of several charitable organizations. He has served as Chair of the Board for the Edmonton Eskimos, Governor of the CFL, and Director of the Workers' Compensation Board – Alberta, The Citadel Theatre and the Alberta Securities Commission. Mr. Erker is a graduate of the Institute of Corporate Directors.

Member of the Executive Committee,
Human Resources Committee and
Chair of the Corporate Governance Committee

Carolyn Hursh
Calgary, Alberta
Ms. Hursh is the Chairman of James Richardson & Sons, Limited (JRSL), a family owned and managed conglomerate established in 1857, whose subsidiaries include Richardson International, Richardson Pioneer, Richardson Oilseed Processing, Richardson Nutrition, Tundra Oil & Gas Limited, Lombard Realty Limited, Richardson Partners Financial Limited and Richardson Capital Limited. Ms. Hursh chairs the JRSL Corporate Governance Committee and is a member of the Audit and Compensation committees. Ms. Hursh is also Chair of the Max Bell Foundation and is a member of the Advisory Committee of the Family Business Management Program at the University of Calgary.

Member of the Corporate Governance Committee

Wendy A. Leaney
Toronto, Ontario
Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank.

Member of the Audit Committee

Ronald D. Rogers
Calgary, Alberta
Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August 2004. Mr. Rogers serves as a Trustee for The Brick Group Income Fund, Transforce Income Fund and Parkland Income Fund. Mr. Rogers is a chartered accountant and a member of the Alberta Institute of Chartered Accountants. Mr. Rogers has an extensive background in business and finance including positions as President of Greb Footwear and CFO of Moore Corporation.

Member of the Executive Committee and Chair of the Audit Committee

Catherine Roozen
Edmonton, Alberta
Ms. Roozen is Director and Corporate Secretary of Cathton Holdings Ltd. and the Allard Foundation, positions she has held since 1981. Ms. Roozen also serves as a Director for Melcor Developments Ltd. Ms. Roozen serves on the Alberta Health Services Board as well as on a number of charitable boards. Ms. Roozen is a graduate of the Canadian Securities Course.

Member of the Audit Committee

Terrance Royer
Calgary, Alberta
Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 to July 2006) and Chairman of the Alberta "Access to the Future Fund" for post-secondary institutions in Alberta.

Member of the Executive Committee and Chair of the Human Resources Committee

Serves as the Lead Independent Director for Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Ms. Shaw is the Executive Chair of Corus Entertainment Inc. and has held the position since its inception in September 1999. Ms. Shaw is a Director for Shawcor Ltd. and Viewtrak Technologies Inc., a member of The Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw also sits on a number of charitable boards. Ms. Shaw holds a Bachelor of Commerce degree from the University of Alberta and an MBA from the Richard Ivey School of Business at the University of Western Ontario.

Chair of the Board and the Executive Committee

Julie M. Shaw
Calgary, Alberta
Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc. and Secretary of the Shaw Foundation, a philanthropic organization. Ms. Shaw is a Director for the McKenzie Meadows Golf Club.

Vice Chair of the Board and member of the Corporate Governance Committee

Corus Entertainment Inc.

Stock listing
TSX: CJR.B
NYSE: CJR

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630 3rd Avenue S.W.
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Telephone: 403.444.4244
Facsimile: 403.444.4240

Executive office
181 Bay Street
Suite 1630
Toronto, Ontario M5J 2T3
Telephone: 416.642.3770
Facsimile: 416.642.3779

Internet
Corus Entertainment's Annual Report, Annual Information Form, quarterly reports, press releases and other relevant investor relations information are available in the "Investor Information" section of the Corus Entertainment website (www.corusent.com).

Auditors
Ernst & Young LLP

Primary bankers
The Toronto-Dominion Bank

Transfer agent
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

BNY Mellon Shareowner Services
480 Washington Boulevard – 27th Floor
Jersey City, New Jersey 07310
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

Corporate governance
Information concerning Corus Entertainment's Corporate Governance Practices is contained in the Management Information Circular and is also available by contacting the Company or by visiting the Company's website (www.corusent.com).

Further information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.642.3770 or visit the Company's website (www.corusent.com).

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Vice President of Communications at 416.642.3779.

Vous pouvez obtenir la version française du present rapport en communiquant par télécopieur avec la vice-présidente des Communications, au 416.642.3779.

Annual meeting
January 14, 2009
2 p.m. MT/4 p.m. ET
Corus Entertainment – Corporate Office
630 3rd Avenue S.W.
Calgary, Alberta T2P 4L4

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List of assets

Television

Specialty Networks

Treehouse
W Network
YTV
CMT Canada
Cosmopolitan TV
Discovery Kids Canada
SCREAM
Telelatino
TELETOON
TELETOON Retro
Food Network Canada*

Premium Networks

Movie Central
Encore Avenue

Other

Corus Custom Networks
Max Trax
CHEX TV – Durham
CHEX Television – Peterborough
CKWS TV – Kingston

Radio

British Columbia

Vancouver
AM 730 All Traffic All The Time (CHMJ) – AM
CKNW AM 980 (CKNW) – AM
Classic Rock 101 (CFMI) – FM
99.3 The FOX (CFOX) – FM

Alberta

Calgary
AM 770 (CHQR) – AM
Q107 (CFGQ) – FM
Country 105 (CKRY) – FM

Edmonton
630 CHED (CHED) – AM
iNews880 (CHQT) – AM
CISN COUNTRY 103.9 (CISN) – FM
92.5 JOE FM (CKNG) – FM

Manitoba

Winnipeg
CJOB 68 (CJOB) – AM
Power 97 (CJKR) – FM
99.1 Groove FM (CJGV) – FM

Ontario

Barrie
FM 93 (CHAY) – FM
B101 (CIQB) – FM

Cambridge
107.5 DAVE-FM (CJDV) – FM

Collingwood
95.1 The Peak FM (CKCB) – FM

Cornwall
AM 1220 (CJUL) – AM
Variety 104 (CFLG) – FM
Rock 101.9 (CJSS) – FM

Guelph
CJOY (CJOY) – AM
Magic 106.1 (CIMJ) – FM

Hamilton
AM900 CHML (CHML) – AM
The New Country 95.3 (CING) – FM
Y108 (CJXY) – FM

Kingston
Lite 104.3 FM (CFFX) – FM
FM96 (CFMK) – FM

Kitchener
91.5 The Beat (CKBT) – FM

London
AM980 (CFPL) – AM
The New 1031 Fresh FM (CFHK) – FM
FM 96 (CFPL) – FM

Peterborough
980 KRUz (CKRU) – AM
THE WOLF 101.5 (CKWF) – FM

Toronto
AM640 TORONTO RADIO (CFMJ) – AM
102.1 the Edge (CFNY) – FM
Q107 (CILQ) – FM

Woodstock
Greatest Hits 1039 FM (CKDK) – FM

Quebec

Gatineau
104,7 FM (CJRC) – FM

Montmagny
102,1 FM (CFEL) – FM

Montreal
Info690 (CINF) – AM
AM940 Montreal's Greatest Hits (CINW) – AM
CKAC Sports (CKAC) – AM
Q92 (CFQR) – FM
98,5 FM (CHMP) – FM
CKOI 96,9 (CKOI) – FM

Quebec City
Info800 (CHRC) – AM
102,9 CFOM (CFOM) – FM

Saguenay
98,3 FM (CKRS) – FM

Saint-Jérôme
CIME 103,9 (CIME) – FM

Sherbrooke
102,1 FM (CHLT) – FM
104,5 FM (CKOY) – FM

Trois-Rivières
106,9 FM (CHLN) – FM

Content

Nelvana
Kids Can Press

Canadian broadcast, branded animation and publishing assets as of August 31, 2008.

*Assets in which Corus Entertainment has less than a 50% equity position.

Concept and Design: **THE WORKS** www.worksdesign.com Printing: **Barney Printing Limited** by Xerox Canada

MOVIE
CENTRAL

CKNW
NEWS TALK SPORTS
AM980

W
NETWORK

Country 105
CKRY FM

SCREAM
thrillers suspense horror

102.1 the edge

TELETOON

YTV

KIDS
CAN
PRESS

COSMOPOLITAN TV

CMT

tln
telelatino

Q107
Classic Rock

MANITOBA'S INFORMATION
CJOB 68
SUPERSTATION

NELVANA
A CORUS ENTERTAINMENT COMPANY

AM 630
NEWS • TALK • SPORTS
CHED

cKOI
.com
96,9 FM

Discovery
KIDS

98,5 fm
LA PUISSANCE
DES MOTS

Treehouse

iNews
880AM
ON RADIO.ON LINE.ON DEMAND.

91.5
BEAT

TELETOON
RETRO

London's Best Rock
FM96

ENTERTAINMENT

We have a strong set of Core Values and believe that honouring them drives our success.

Initiative

We empower employees to make great things happen

Innovation

We are committed to creative thinking that leads to breakthrough ideas and superior results

Teamwork

We believe the greatest value is realized when we work together

Accountability

We do what we say we'll do – no excuses

Knowledge

We believe in continuous learning and the sharing of our insights and ideas

www.corusent.com

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. XX XXX XXX
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